EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

FT No. 31,582

Tuesday October 15 1991

D 8523A

BREWING
Australian icon under attack
Page 24

World News

Bulgarian communists losing after 40 years

Bulgaria's main opposition parties are likely to form the first non-communist government for more than 40 years following the near-certain defeat of the Socialist (former Communist) party in Sunday's elections. Page 20

Convoy forced back
Diplomats at the European Community-sponsored conference on Yugoslavia agreed to extend the mission of the EC monitors indefinitely despite the failure of a humanitarian convoy to enter the besieged city of Vukovar in eastern Croatia. Page 2

Poll backs Thomas
An opinion poll suggests a majority of Americans believe Judge Clarence Thomas, who has been accused of sexual harassment, should be confirmed as a Supreme Court justice. Page 20

Nobel winner

Burmese opposition leader Aung San Suu Kyi, held under house arrest for more than two years by her country's military rulers, has won the 1991 Nobel Peace Prize. The White House urged her release. Page 6

Iraq germ warfare plan
UN inspectors discovered Iraq had the ability to produce vast quantities of biological warfare agents, British defence secretary Tom King said.

Safer building sites
European building sites will be subject to strict minimum safety requirements from 1993 onwards under legislation agreed by EC social affairs ministers. Page 2

Ruling may delay poll
The Algerian national assembly rejected key amendments to the government-proposed electoral law, a move which may further delay the country's first multi-party general election. Page 6

Hashimoto steps down
Ryutaro Hashimoto formally bowed out as Japan's finance minister to take responsibility for a series of securities and banking scandals. Page 6

Protest over Kurds
Germany protested to Ankara over the Turkish bombings of Kurdish villages in northern Iraq over the weekend and vowed to do all in its power to stop the attacks. Page 6

Cuban old guard out
Cuba's ruling Communist Party elected a new, younger central committee by secret ballot and granted it special powers to direct national policy. More than half of the old guard were replaced.

PLO agrees delegation
The Palestine Liberation Organisation has agreed to joint Jordanian-Palestinian representation at a proposed Middle East peace conference. Page 6

Ulster police demand
Northern Ireland's police chief demanded hundreds of extra officers to tackle the rising tide of sectarian violence in the province.

Kaunda death sentence
President Kenneth Kaunda of Zambia's youngest son, Kambarage Kaunda, 26, was sentenced to death in Lusaka for shooting dead a 20-year-old woman. He is to appeal.

Business Summary

Record trade surplus puts Japan under pressure

Japan's trade surplus rose by a record $9.75bn in September to stand 41.7 per cent higher than a year earlier. It puts further pressure on the authorities to lift the currency after the Group of Seven's finance ministers agreed in Bangkok at the weekend that yen appreciation was needed to prevent renewed growth in the surplus.

For the first nine months, the cumulative adjusted surplus is $57bn, an increase of 31.9 per cent. The figures are an embarrassment for Tokyo, which fears that the surplus for the year could be uncomfortably close to the 1986 record of $82.7bn, and that the size of the figure itself will provoke trade friction with Washington and the EC. Page 20; Hashimoto bows out, Page 6; Japanese bankruptcies and debt grow, Page 6; Currencies, Page 42

THOMSON-CSF, leading European defence electronics group, announced a 5.6 per cent rise in first-half net profits to FFr1.12bn ($194.2m). Page 21

BT: The UK Treasury has decided to dispense with underwriters in the sale of the government's BT shares, for the first time in any privatisation. The move could save taxpayers up to £150m ($258m). Page 21

NEWMONT Mining, North America's biggest gold producer, has $58m cash, a revolving credit arrangement for $540m, and is looking for precious metals acquisitions to boost growth. Page 23

KOLBENSCHMIDT, motor components subsidiary of Metallgesellschaft, is talking with Kleinwort Benson about the possible sale of a 49 per cent stake in an aluminium foundry to the London-based merchant bank. Page 21

STANDARD & Poor's, US ratings agency, downgraded Japan's four leading securities houses, Nomura Securities, Daiwa Securities, Nikko Securities and Yamaichi Securities, because of concern about the effect of the recent financial scandals on long-term earnings and profitability. Page 6

BANK of Finland, the country's central bank, will inject FM2bn ($482m) into Skopbank, Finland's troubled fourth-largest bank, as part of further plans to restructure and stabilise Skopbank's financial position. Page 22

SOUTH KOREA is taking a tough line with the US in a $100m-a-year trade dispute over international telephone calls. Page 4

PRIMERICA, US financial services group, posted a 31 per cent rise in third-quarter profits to $123.5m. In the same quarter last year, Primerica earned $94m. Page 26

LUCAS Industries, UK automotive, aerospace components and technology systems group, reported a 56 per cent drop in annual pre-tax profits to £83.6m ($144m). Page 24; Lex, Page 22

GIO Australia, fifth largest domestic insurance company, is to be privatised in a flotation expected to raise around A$1bn ($795.2m). Page 24

PAY and benefits packages for company directors and senior managers are becoming similar throughout Europe according to a study by Monks Partnership, a UK-based pay consultancy. Page 2

WORLD sugar prices have only been prevented from falling by the prospect of credit guarantees facilitating purchases by the former Soviet Union, according to E.D. & F. Man, London trade house. Page 30

EUROPE'S charter airlines are heaving a collective sigh of relief after EC finance ministers agreed to postpone abolition of duty-free concessions. Page 4

Yavlinsky warns Soviet reserves only sufficient for two months

G7 agrees to relieve Moscow's debt crisis

By Stephen Fidler and Peter Norman in Bangkok and Leyla Boulton in Moscow

THE Group of Seven leading industrialised countries have agreed to give emergency financial aid to the Soviet Union in the event of an external payments crisis.

Under a secret contingency plan, financial help would be provided if the Soviet Union cannot service its $60bn of external debt or meet other foreign payments.

This emerged yesterday as official figures in Moscow showed that the Soviet Union faces a foreign exchange shortage of more than $7bn for the last four months of this year. The shortfall means the Soviet Union will be unable to meet its foreign payments obligations, mainly on debt, without outside help.

The agreement to help in the event of a Soviet liquidity crisis,
according to senior financial policymakers, was kept out of a G7 communiqué on Sunday mainly because of European, and, in particular, West German objections.

One objection from Bonn was that knowledge of the plan would reduce the republics' incentive to remit currency to Moscow – which is seen as the main cause of Soviet liquidity problems.

The policymakers, who declined to be identified, said details of the support had yet to be resolved. But a package might include a loan from the Bank for International Settlements, backed by Soviet gold, other loans and a temporary deferral of repayments on Soviet loans coming due. There would also be support for Soviet-owned financial institutions in the G7 countries.

The seriousness of the Soviet position was underlined in a report to the G7 meeting at the weekend by Mr Grigory Yavlinsky, the economist responsible for economic policy in the Soviet Union. The report said the Soviet Union only had reserves to pay its way for two more months. Its gold reserves – which Mr Yavlinsky said totalled 242 tonnes – were much lower than previous estimates.

Mr Viktor Geraschenko, the chairman of the Soviet state bank, was quoted in Bangkok yesterday as saying that that the country's foreign currency reserves were "close to zero".

Terry Kirk

Grigory Yavlinsky (left), leader of the Soviet delegation in Bangkok, at a private meeting with Norman Lamont, UK chancellor of the exchequer

The G7 – the US, Japan, Germany, France, Britain, Canada and Italy – will send senior finance officials to Moscow soon. One aim of the mission is to put pressure on the republics to join the centre in a common economic framework to meet the country's external obligations. The other is an attempt to work out with the authorities a method of making the current Soviet payments system function.

A malfunctioning payments system, where foreign exchange receipts are not being transmitted to the centre, is seen to be the main reason behind the Soviet lack of foreign exchange.

There is still hope in some – but not all – G7 governments that a liquidity crisis can be avoided. Relative to the size of the country, the balance of payments problem is modest.

However, all the G7 countries emphasised the importance of the Soviets maintaining creditworthiness. This emphasis is in large part because the US, Japan and Canada are forbidden by law and custom from extending official credits to borrowers that have interrupted their debt payments.

Some members of the G7 are considering further substantial support, which would total well over $1bn, apart from the contingency package and $7.5bn in food and humanitarian aid already pledged.

The G7 communiqué pledged a continued flow of resources to the Soviet Union provided certain conditions were met.

Leyla Boulton adds from Moscow: An aide to President Mikhail Gorbachev predicted that a treaty for a political union to bind together at least a core of the former Soviet Union would be ready for signing in November.

Mr Grigory Revenko, chief of the presidential staff, said a proposed union of "sovereign free republics" would be signed by at least eight of the 12 remaining republics.

Reports, Page 6; Japan's trade surplus, Page 20

Norway intervenes to rescue banking system

By Karen Fossli in Oslo

THE NORWEGIAN government yesterday intervened to rescue the country's banking system after Christiania, the second biggest bank, was declared technically insolvent.

The ruling minority Labour government said that as a first step in a broader plan it was considering an injection of further cash into a state-controlled fund which acts as a rescue net for the banking system.

This bank guarantee fund earlier this year committed NKr2.6bn ($393m) to rescue packages for Christiania Bank and Fokus Bank, Norway's third biggest bank.

Yesterday's intervention is the most significant the government has made to shore up the banking system. It was forced on the government by losses after deregulation of the banking system in the 1980s and stagnation in Norway's oil-dependent economy.The proposed measures will be announced to parliament next week.

Trading in the shares of Christiania Bank was suspended on the Oslo bourse yesterday after meetings on Sunday in which the bank informed finance officials that its private share capital had become worthless. "The board of Christiania was on October 13 informed about the preliminary results of a major review of investments and lending portfolio," Christiania said.

"This review led to the board finding it necessary to inform the Oslo bourse that the result for the third quarter of 1991 will show that the bank's private share capital is lost," it said.

A Christiania executive refused to comment on a national radio report that in the third quarter the bank will post net losses of NKr1.2bn. In the first half, Christiania reported a net loss of NKr1.64bn against a NKr128m profit in the corresponding period a year earlier.

The bank said its third quarter result would be announced by the end of next week – earlier than expected.

Mr Per Ditlev-Simonsen, Christiania's board chairman, and Mr Borger A. Lenth, the bank's president, refused at a news conference yesterday to be drawn on details of the bank's third quarter figures.

Banking crisis, Page 19
Nordbanken, Page 21

Hopes rise for breakthrough on Gatt

By Peter Norman in Bangkok, Quentin Peel in Bonn and William Dawkins in Paris

HOPES OF a breakthrough in the stalled talks on trade reforms rose further yesterday as the chief of the world's main trade negotiating body indicated that political bargaining could now resume in earnest.

Mr Arthur Dunkel, director general of the General Agreement on Tariffs and Trade, was talking in Bangkok at the annual meeting of the World Bank and International Monetary Fund. His remarks followed Germany's decision last week to back plans to cut farm subsidies and commitment from European Community ministers at the weekend to give the EC Commission flexibility to negotiate agreements on trade reform.

While Mr Dunkel stopped short of predicting that trade talks could be completed by the end of the year, he warned that longer delays could damage the world economy. The talks stalled in Brussels last December over the sensitive issue of farm subsidies.

Reinforcing Mr Dunkel's remarks, a communiqué from the IMF's policymaking interim committee warned that a failure of the Uruguay round of trade liberalisationn talks could seriously jeopardise the international trade and payments system as well as the economic reforms supported by the Fund and the World Bank.

Commenting on Germany's policy reversal, Mr Dunkel said: "Something is happening and I'm very keen to be back in Geneva to see if what is happening is also taking place in the negotiating groups".

The deal thrashed out in the German cabinet last week, and greeted with enthusiasm by the EC Commission and most of the Community's trade ministers at the weekend, involves a commitment to dismantle subsidies provided farmers receive direct income compensation.

The change is important because it accepts that the EC must give "specific binding commitments" on dismantling assistance programmes – on internal farm subsidies, protection against external agricultural products, and export subsidies. France and Ireland are now isolated in their opposition to ending subsidies.

In Paris, France's agriculture ministry greeted Germany's change of position with disbelief. Recent turmoil among French farmers underlines that loss of German support for France against the Commission on EC agriculture reform could have serious consequences for Paris, which faces regional elections next year and a general election in 1993.

If the trade negotiations proved successful by the end of this year, it would be possible to see the results of the round in place by the beginning of 1993, Mr Dunkel said.

German subsidies, Page 4

Ford warns of losses at start of UK pay talks

By John Griffiths and Michael Smith in London

FORD'S losses in the UK this year will be "far worse" than last year's £274m, which was the first pre-tax loss for 20 years, the company's 29,000 manual workers were warned yesterday.

Union leaders seeking a pay increase of at least 7 per cent, reduced working hours and improved job security were also warned by Mr John Hougham, Ford UK personnel director, that the company's worldwide profit position was "probably under the worst pressure we have ever experienced, with an unprecedented profit decline in the UK, US and the rest of the world.

The gloom surrounding Ford in the UK derives from the company's shrinking share of a new car market which is suffering one of its sharpest downturns in history. Last year, Ford sales volumes fell by 17 per cent in a market down 13 per cent, compared with 1989.

Union leaders, who in previous years, have put in for "substantial" but unspecified rises, described this year's 7 per cent claim as realistic.

Although nearly 3 percentage points above the latest reported inflation rate of 4.1 per cent, it is either less than, or equal to, the rises due to be paid in the second year of two-year deals by other leading manufacturers. Rover and Peugeot-Talbot are to pay rises of 7.5 per cent in the next three months, while planned rises at Nissan and Jaguar are in line with the Ford claim.

Normally Ford makes little response on the first day of pay talks. However, it used yesterday's meeting with union leaders to paint a picture of its immediate future in the UK which was unprecedented in detail and in its bleakness.

In doing so, it made clear its view that Ford's UK work forces still have a long way to go before they match the productivity of even their Continental counterparts, let alone cope with the "supreme challenge" represented by Japanese "transplant" car factories in the UK.

Mr Hougham predicted that, by the end of the decade, Japanese manufacturers would have installed UK capacity to build 1m cars a year. By then, he said, the Japanese would also have captured 28 per cent of the UK market, compared with just over 11 per cent now.

The informal understanding between the EC and Japan's Ministry of Trade and Industry, reached in July on a post-1992 regime for Japanese vehicle sales, envisages annual Japanese production within the entire EC of only about 1.2m cars and light commercial vehicles by 1999.

However, Ford's forecast gives credence to industry analysis that Japanese output levels in the whole EC will be hovering at 2m by the end of the decade.

This year, total new car sales are expected to be a further 22 per cent down to 1.55m.

Industry news, Page 12
Ford re-equipment, Page 16

CONTENTS

Pope visits Brazil as wave of evangelicism grips country

Pope John Paul II's Brazilian tour is a clear sign of the Vatican's preoccupation with the recent explosion of evangelical sects in the world's largest Roman Catholic country
Page 9

MARKETS

STERLING
New York close:
$1.7135 (1.7235)
London:
$1.7165 (1.7195)
DM2.9175 (2.91)
FFr9.9375 (9.9225)
SFr2.55 (same)
Y222 (223.25)
£ index 90.4 (same)

GOLD
New York: Comex Dec
$361.3 (362.4)
London:
$358.05 (same)

N SEA OIL (Argus)
Brent Dec
$22.0 (21.875)

Chief price changes yesterday: Page 23

DOLLAR
New York close:
DM1.70175 (1.6885)
FFr5.7810 (5.754)
SFr1.4865 (1.4795)
Y129.4 (129.53)
London:
DM1.6995 (1.6925)
FFr5.79 (5.77)
SFr1.4855 (1.483)
Y129.35 (129.75)
$ index 84.5 (same)
Tokyo close: 129.05

US Bonds market closed for Columbus Day holiday

STOCK INDICES
FT-SE 100:
2,574.5 (+19.5)
FT Ordinary:
1,973.6 (+19.7)
FT-A All-Share:
1,241.30 (+0.5%)
FT-A World Index:
145.73 (+0.3)
New York close:
DJ Ind. Av.
3,019.45 (+35.77)
S&P Comp
386.47 (+5.02)
Tokyo: Nikkei
23,860.67 (−297.05)

LONDON MONEY
3-month Interbank:
$10\frac{13}{32}$% ($10\frac{3}{8}$)
Life long gilt future:
Dec 95 ($95\frac{1}{8}$)

Humanitarian convoy forced to turn back at Vukovar

EC monitors to stay on in Yugoslavia

By Ronald van de Krol in The Hague, **Laura Silber** in Belgrade, **Judy Dempsey** in London and **Gillian Tett** in Moscow

DIPLOMATS at the European Community-sponsored conference on Yugoslavia yesterday agreed to extend the mission of the EC monitors indefinitely despite the failure of a humanitarian convoy to enter the besieged city of Vukovar in eastern Croatia.

The monitors, who have several times threatened to pull out of Croatia, were scheduled to leave Yugoslavia last Sunday when their three-month mandate expired.

The extension of the mandate will allow them more time in the crucial task of strengthening communications between the local commanders of the federal army and the Croatian military.

At the same time, Lord Carrington, the former UK foreign secretary and chairman of the peace conference in The Hague, said the talks would reconvene "at the highest political level" on Friday in a fresh search for new solutions.

He was speaking after a fifth plenary session which included several hours of talks with the foreign ministers of the Yugoslav republics.

Lord Carrington admitted little progress had been made, either at the conference itself or in the body's three working groups on human rights, political institutions and economic relations.

In Croatia, the monitors' ability to influence events again proved elusive after a humanitarian convoy of 50 trucks carrying food, medicine and supplies to Vukovar, was forced to turn back.

Agreement to send the convoy was reached last week between the EC monitors, General Andrija Raseta, a senior federal army commander, and the Croatian military.

Although the agreement was not linked to the lifting of Croatia's blockade of the federal army barracks at Borongaj in Zagreb, the capital of Croatia, the problems encountered by the convoy will now almost certainly be used by Croatian forces as a reason to stop the federal soldiers leaving.

This in turn is likely to delay any negotiation over the lifting of the blockade of the big Marshal Tito barracks in Zagreb. The barracks, which contains a large number of tanks coveted by the Croatians, has been blockaded by Croatia's National Guard for over three weeks.

Croat authorities and federal naval commanders yesterday continued negotiations for the withdrawal of equipment from Split, the naval headquarters and Croatia's second biggest port city.

Parallel to negotiations taking place in Zagreb and in The Hague, Soviet president Mikhail Gorbachev will today hold talks in Moscow with President Franjo Tudjman of Croatia and President Slobodan Milosevic of Serbia. They will meet him separately, but Mr Gorbachev's spokesman, Mr Vladimir Tumarkin, said it was possible the two might then attend a joint meeting with the president.

The invitation marks the first Soviet attempt to mediate in the crisis. Moscow imposed an arms embargo on Yugoslavia last month, after supplying the federal army with equipment for many decades.

Meanwhile, the parliament of Bosnia-Hercegovina, the republic which lies to the south of Croatia and Serbia, remained divided over a proposed declaration of sovereignty.

Bosnia's Serbs say the declaration is tantamount to secession, depriving Serbs of the right to remain in Yugoslavia, which they see as necessarily including Bosnia.

The EC monitoring group yesterday selected Banja Luka, northern Bosnia, as its headquarters in the republic.

Replicas of the Pinta, Santa Maria and Nina sail from Huelva, southern Spain, in a re-enactment of the 1492 voyage in which Christopher Columbus reached America.

Europe's top pay packets moving closer together

PAY and benefits packages for company directors and senior managers are becoming similar throughout Europe according to a study published today by Monks Partnership, a UK-based pay consultancy, **Paul Taylor** writes.

"Overall we are finding that remuneration practice across Europe is becoming more homogeneous," said Mr Tony Vernon-Harcourt, Monks managing director. "This is especially so – as one might expect – among subsidiary organisations, where international management skills are at a premium and executives are increasingly liable to be moved from country to country."

Nevertheless the study, based on a survey of almost 1,200 companies in 16 European countries, also reveals some significant country-by-country differences, including much wider use of share options in the UK, the comparative absence of company cars for Swiss executives and the large holiday entitlement of their German counterparts.

On pay levels the study notes that despite high percentage increases, British directors' gross earnings are among the lowest in western Europe, with only Portuguese and Irish directors' pre-tax pay lower. However, after allowing for the low marginal tax rate in the UK, British executives' earnings are about mid-point in the league table. The UK's ranking is about the same when cost-of-living differences are allowed for.

The survey also found that, at the highest levels of management, practice by European subsidiary companies on cash bonus and share option entitlement is broadly similar across Europe.

Management Remuneration in Europe, Monks Partnership, Debden Green, Saffron Walden, Essex CB11 3LX.

Commissioners call for bigger say over mergers

THE ROW over EC competition policy stemming from Brussels' veto of the de Havilland takeover has taken a new twist with demands by some of Sir Leon Brittan's Commission colleagues for a say in preparing EC merger decisions, **David Buchan** writes from Brussels.

Mr Martin Bangemann, EC industry commissioner, wants to reduce the discretionary power of Sir Leon, the competition commissioner, to handle all merger investigations up to the point where these come before the full 17-person EC executive for final decision.

Mr Bangemann, who hotly contended that Aérospatiale of France and Alenia of Italy should have been allowed, on industrial grounds, to take the Canadian aircraft company over, has written to Mr Jacques Delors, the Commission president, and to Sir Leon to suggest that in future the Commission's competition directorate must get the approval of the respective industrial policy departments concerned in order to submit a merger to the full five-month scrutiny allowed under the September 1990 merger regulation.

The issue will come to a head before the end of the month, at a planned Commission review of the so-called habilitation power which Sir Leon was given for the first 12 months of the merger regulation's operation. This "habilitation" power is a common procedural device in the Commission, and enables one or several commissioners to conduct business on behalf of the whole EC executive for specific tasks.

Mr Bangemann has been emboldened by last week's resolution in the European Parliament, which accepted the de Havilland decision but urged that Commissioners responsible for various industrial sectors play a greater role in merger decisions.

Protest at Dutch proposals for maternity benefit

By Andrew Hill in Luxembourg

MS Vasso Papandreou, the EC social affairs commissioner, yesterday objected strongly to a Dutch presidency proposal that maternity benefit should be set at the same level as sick pay across the Community.

Ms Papandreou angrily told the predominantly male meeting of EC social affairs ministers that pregnant women were not sick women. "They're very, very healthy women," she was quoted by a national official as saying. She again threatened to withdraw EC legislation on the rights of pregnant workers and mothers if the member states tried to dilute it.

The Commission argues that pregnant workers should be entitled to a statutory minimum of 14 weeks' maternity leave on full pay. In most EC countries, equating maternity benefit to sick pay would leave pregnant workers and new mothers substantially worse off than the Commission's proposals.

Member states are in general agreement with Brussels' proposals on the length of maternity leave, but social affairs ministers failed yesterday to make progress on any of the other fundamental issues.

The directive bogged down in arguments about the level of pay, the legal basis for adopting the legislation, and the eligibility of workers for benefits.

The Commission also wants pregnant workers to be protected from dismissal. France and Germany, however, said yesterday that national governments should be allowed to list legitimate reasons for dismissing workers who also happened to be pregnant.

Other member states said the onus should be on employers to prove that workers had not been dismissed because they were pregnant.

Spain and Britain continued to argue yesterday that the parts of the directive relating to benefits should be considered as social security legislation, which requires the unanimous approval of ministers.

Britain and the Irish Republic also want to retain strict qualifications for maternity pay. In the UK, which has the least generous maternity provisions in the EC, women have to have worked for at least two years to qualify for benefits.

● Building sites across Europe will be subject to strict minimum safety requirements from 1993 onwards, under legislation agreed yesterday by EC social affairs ministers.

On larger sites, contractors will have to appoint a safety co-ordinator and submit health and safety plans to the local authority before work begins.

Most smaller, low-risk projects – for example, those employing fewer than 20 workers on site, or finishing in under 30 days – will not have to prepare plans and appoint co-ordinators, but they will still be subject to a series of minimum health and safety requirements.

Enlarged EC goes on agenda

By David Buchan in Brussels

THE weight of opinion within the European Commission has clearly swung in favour of enlarging the Community with the public call by its president, Mr Jacques Delors, for a new EC structure to embrace as many as 30 countries.

Mr Delors has been slower than many of his Commission colleagues to accept, even embrace, the prospect of new EC members. When the EC executive last debated the issue in July, he was still arguing that enlargement was not imminent.

But writing in a French magazine, Mr Delors said that shortly after the Maastricht summit in December, at which the Twelve plan to agree on political and monetary union, "it is essential to fix a new political and institutional rendezvous to prepare a structure for between 24 to 30 countries."

The Commission will next month hold a special seminar on the enlargement issue, out of which some sort of plan is likely to emerge early next year. So far the inside running has been made by Mr Frans Andriessen, external affairs commissioner, who has championed the creation of new forms of political consultation with Poland, Czechoslovakia and Hungary before they can assume the economic obligations of full EC membership somewhere around the turn of this century. Mr Andriessen is expected to develop this further in a policy speech on Friday.

Germany's refugee numbers rise

By Quentin Peel in Bonn

THE number of German immigrants from eastern Europe has dropped by more than half over the past nine months, while the number of non-German asylum-seekers has risen steadily, according to latest figures published by the government.

For the first time, the number of asylum-seekers has overtaken that for immigrants of German origin.

There is now a backlog of more than 200,000 asylum applications lying unprocessed for more than a year, out of 330,000 asylum-seekers in the country.

The figures suggest that while there is some relief in the economic pressure of job-seekers flooding into the country from eastern Europe, claiming German ancestry, the more racially sensitive problem of non-German asylum seekers is getting more acute.

The number of German-origin immigrants or Aussiedler – fell to 166,786 in the first nine months of the year, from 337,394 in the same period of 1990, Mr Horst Waffenschmidt, the state secretary in the Interior Ministry, announced in parliament yesterday. The biggest reduction came in immigrants from Poland (down from 124,637 to 28,218) and Romania (down from 100,027 to 23,775).

The German government has been urgently attempting to improve the conditions of minority German-origin communities throughout eastern Europe and the Soviet Union, in an attempt to stem the immigration flow.

In contrast, the pressure of asylum-seekers, a category which includes all would-be non-German immigrants, continues to rise. There were 169,785 in the first nine months of the year, compared with 143,826 in the same period of 1990, an increase of some 18 per cent.

As attacks by skinheads and racist gangs on hostels housing immigrants continued to be reported yesterday, the political squabbling over the issue deteriorated. Mr Rudolph Scharping, prime minister of Rhineland-Pfalz, said there were now 200,000 asylum seekers who had been waiting a year or more for their applications to be processed, just when the government is promising that the process can be speeded up to six weeks.

Chancellor Helmut Kohl's Christian Democratic Union and the Bavarian-based Christian Social Union are calling for a change in the constitution to make it more difficult to enter the country seeking asylum, but yesterday the Free Democrats, the third member of the ruling coalition, joined the opposition Social Democrats in flatly rejecting such a move.

● The trade balance of former west Germany returned to a surplus in August as imports and exports fell from July, the Federal Statistics Office said, Reuter reports from Wiesbaden.

The office said exports from western Germany in August fell 13 per cent from July to DM50.2bn (£17.3bn), while imports declined by an even stronger 17 per cent to DM47.68bn.

The Financial Times (Europe) Ltd
Published by The Financial Times (Europe) Ltd., Frankfurt Branch, (Guiollettstrasse 54, 6000 Frankfurt-am-Main 1: Telephone 069-75980; Fax 069-722677; Telex 416193 represented by E. Hugo, Frankfurt/Main, and, as members of the Board of Directors, R.A.F. McClean, G.T.S. Damer, A.C. Miller, D.E.P. Palmer, London. Printer: Druck Vertrieb und Marketing GmbH, Frankfurt. Responsible editor: Richard Lambert, Financial Times, Number One Southwark Bridge, London SE1 9HL. The Financial Times Ltd, 1991.

Registered office: Number One, Southwark Bridge, London SE1 9HL. Company incorporated under the laws of England and Wales. Chairman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Financial News Limited. Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedex 01. Tel: (01) 4297 0621; Fax: (01) 4297 0629. Editor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 59100 Roubaix Cedex 1. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

Financial Times (Scandinavia) Vimmelskaftet 42A, DK-1161 Copenhagen-K, Denmark. Telephone (33) 13 44 41. Fax (33) 935335.

EUROPEAN NEWS

Spain on course to hold inflation below 6%

By Tom Burns in Madrid

SPANISH consumer prices rose by 0.8 per cent last month, the lowest September rise for five years, to bring annual inflation down to 5.7 per cent.

The CPI figures, which bring the accumulated price rise for this year to 4.6 per cent, indicate that Spain will end this year with an inflation figure below 6 per cent – against a 6.5 per cent rate at the end of 1990 – although above the 5.5 per cent target that the government had set itself.

The Bank of Spain kept its base intervention rate unchanged at 12.6 per cent at yesterday's 10-day certificate of deposit auction.

This did not surprise the markets, given recent statements by Bank of Spain governor Mr Mariano Rubio urging continued high interest rates. Analysts see only a limited scope for a fall in the intervention rate before the end of the year.

The case for caution in easing credit restrictions is fuelled by the expected inflationary impact of higher taxes on petrol and cigarettes and of an overall rise in value added tax next year, according to guidelines of the 1992 budget proposals. The bank of Spain is, moreover, concerned that a relaxation of interest rates could prompt a shift from Spanish to German bonds.

In line with the government's forecast of lower 1991 GDP growth of 2.7 per cent, the country's industrial production was 1.8 per cent lower in the first seven months of this year.

This has prompted an increase in unemployment to 15 per cent of the active labour force in September, up from a figure of 14.6 per cent in August.

Unesco to reconsider role

UNESCO, saved from a cash crisis when Japan pledged to pay its dues, is to rethink its role at a general conference due to start today, Reuter reports from Paris.

President François Mitterrand of France will open the three-week biannual session, underlining the importance the country attaches to the UN Educational, Scientific and Cultural Organisation since Washington and London walked out in 1986 after accusing the agency of mismanagement and anti-western bias.

Unesco was once an ideological battleground for north-south, east-west and Arab-Israeli conflicts, but its conference this year seems likely to be uncontroversial.

Arab states keen not to derail a Middle East peace conference have dropped demands for the PLO-declared state of Palestine to be accepted as a member. Unesco is to help Kuwait recover after the Iraqi occupation, sidestepped a persistent dispute over Jerusalem and deferred discussion of Iraq's plea that UN sanctions are ruining its education system and cultural institutions.

Japan has used its financial muscle to push through reform of the executive board to give member states more control. Canada wants the board to have its own financial experts and Germany wants a forum to advise on literacy, cultural heritage and scientific research.

Turks fear hung parliament after poll

The winners next weekend will face a separatist challenge, writes **John Murray Brown**

A SLICK, French-inspired advertisement, conjuring up all the violence and political strife which plagued the country in the 1970s, flashed across Turkish televisions earlier this month, as the ruling Motherland party (Anap) launched its election campaign.

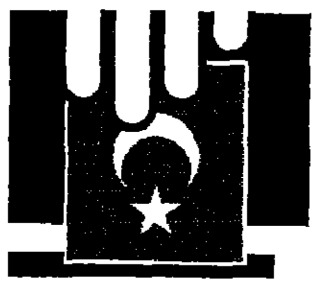
Turks at times seem happy just to be holding next Sunday's elections, given the country's fitful experience of democracy, with the military intervening three times in just over 30 years. Equally encouraging, all the main parties seem committed to continue Anap's market-based reforms, which have done so much to open up Turkey's economy.

Yet there is also some concern lest the search for consensus jeopardise the country's hard-won political stability. After eight years of majority government, Turks are preparing themselves for the uncertain prospect of a hung parliament.

Polls suggest that none of the main parties – Anap, the conservative True Path party (DYP) or the Social Democrats (SHP) – can win an overall majority in the 450-seat parliament.

Western diplomats argue that only strong leadership can resolve the country's formidable array of problems. Turkey's decision to call elections, a year before they were due, comes amid unrest in the country's Kurdish-speaking south east. Separatists have stepped up a campaign of violence which since 1984 has claimed an estimated 3,000 lives.

Last week's apparently indiscriminate Turkish air raids on



villages in north Iraq was an attempt to underline government claims that the PKK Kurdish separatist party represents an external threat, despite growing evidence the movement is taking root inside Turkey. Only the Social Democrats can be expected to take a less harsh approach.

On the economy, any incoming government faces an equally daunting task, with inflation running at almost 70 per cent and the budget deficit spiralling to more than 11 per cent of GNP. No party dares to talk about the austerity programme which economists insist is the only way out of the current mess.

The government's message and that of its youthful prime minister, Mr Mesut Yilmaz, is that "Anap still has work to do." But as ever in Turkey, business and politics are inextricably mixed. One of the biggest concerns among foreign investors is that a new government, keen to reassert its patronage, will embark on a purge of the bureaucracy. Bankers in particular will want to see the survival of Mr Rusdu Saracoglu, the central bank governor and a pivotal figure in Turkey's reform programme.

The other unanswered question is the fate of Mr Turgut Ozal, the former prime minister who used Anap's parliamentary majority to become president in 1989.

Many ordinary Turks retain a sneaking admiration for the tubby technocrat, who irreverently reviews troops in his Bermuda shorts and more than anyone since the modern country's founder, Kemal Ataturk, has forged Turkey's identity as a modern western democracy.

But the president's extravagant lifestyle, and the brazen business practices of his family, raise uncomfortable issues of official propriety. For all his political vision, many Turks feel Mr Ozal overreaches his powers under the constitution.

In theory the election has no bearing on his future, yet Mr Suleyman Demirel, the DYP leader, who has spent a decade in the wilderness, has embarked on a campaign to oust him. Some observers rule out any possibility of a coalition between Anap and DYP, leaving the right-wing vote, traditionally 60 per cent of the total, split.

Latest polls suggest DYP is just ahead, with a little over 30 per cent. Turks, it seems, want a change of the guard, even if it means voting in a man twice ousted by military coups, and at 67 more than 20 years older than Mr Yilmaz.

The ultimate political fixer, Mr Demirel has made much of his backing by some former Anap loyalists. More than any other Turkish politician, he knows the loyalties of the country's 30m voters, 40 per cent of whom live in rural areas where traditional values prevail.

In the cities, the result is less predictable. Some suggest DYP may fail to win a single seat in Istanbul, which in the past was a mirror for how the nation votes as a whole.

If the 1989 municipal elections are anything to go by, both DYP and Anap could have difficulty winning the necessary 20 per cent of the vote in Istanbul and the three other cities, Izmir, Ankara and Adana, which together account for close to a third of all parliamentary seats.

On the other hand, the Social Democrats, traditionally strong in urban constituencies, have suffered from having the budgets of their local mayors squeezed by the central government, a reversal of one of Anap's most enlightened policies of decentralising spending controls.

Moreover, in a political culture still dominated by personalities, not policies, the inability of party leader Mr Erdal Inonu, a physics professor and son of Turkey's first president, to project strong leadership is sure to count against the SHP.

Western diplomats fear one of the main parties, in order to win power, may seek an alliance with one of the small radical parties. The Democratic Socialists of Mr Bulent Ecevit, the left-wing former premier, and the Islamic Welfare party (RP) of Mr Necmettin Erbakan have indicated they are open to offers.

Poll crossfire, Page 6

Italian stock market strike set to continue

THE strike by floor traders on Italy's 10 stock markets, which has paralysed business and could delay tomorrow's close of the October trading account, is set to continue after fruitless attempts at conciliation yesterday, writes Haig Simonian from Milan.

The strike, which began on Friday, is over the threatened loss of hundreds of jobs among the country's 800 floor traders. New rules to be introduced in January, will create the Società di Intermediazione Mobiliare (SIM), a new type of share trading and fund mangement company. Many stockbrokers planning to become SIMs have used the rules to cut the number of traders they employ.

German farm minister may end subsidies

By Quentin Peel in Bonn

MR Ignaz Kiechle, German agriculture minister, has agreed to contemplate dismantling subsidies under the EC farm policy, provided farmers receive direct income compensation, officials said in Bonn.

Such compensation must not be included in the measures required to be dismantled under the eventual Gatt agreement on farm trade, the German agriculture ministry said yesterday.

The deal thrashed out in the German cabinet, and greeted by the European Commission and most EC trade ministers at the weekend, is important because it accepts the EC must give "specific binding commitments" on dismantling internal farm subsidies, protection against external farm products, and export subsidies.

Clearly, Mr Kiechle, for years a staunch defender of the status quo under the Common Agricultural Policy, will fight to protect his farmers' incomes.

Under to guidelines agreed by the German cabinet, any possible future cut in support prices for farm products in the EC will be acceptable only in exchange for income compensation, Mr Kiechle said. Producers must be assured that a "positive development of farm prices" would again be possible.

He told the Bundestag that satisfactory incentives must be introduced to encourage farmers to accept measures for cutting the volume of their output, and that compensation payments should only be made to farmers undertaking such measures. The guidelines state any income compensation must be "long-lasting and reliable". There should be no discrimination against larger farmers, which might undermine the structural development of agriculture.

Mr Kiechle said the cut in EC surpluses must be achieved through effective and balanced measures involving price and quantity, to ensure European farm output was improved. State support for extensive and environmentally-sound agriculture should be strengthened, while set-asides alone could not cope with excess output over an extended period.

The cabinet decision had been taken under these guidelines, which may yet prove tough to negotiate through the Gatt round. Bonn officials say the reaction of the European Commission and the US government will be critical.

The decision included a pledge, at Mr Kiechle's insistence, that the existing VAT-based aid provided to German farmers, and the socio-structural income compensation for agriculture must be kept at the same level, while being re-designed to comply with EC and Gatt rules.

US computer company in Chilean software deal

DIGITAL Equipment Corporation, the US computer company, has teamed up with a Chilean software company in a $60m (£34.8m) joint venture intended as a launch-pad into the Latin American market, Leslie Crawford reports from Santiago.

Digital's partnership with Sonda of Chile hopes to woo 15 countries in the region (excluding Brazil) with a package of US hardware plus software specifically tailored for Latin American needs. Deal, the joint venture launched this month, will pose the biggest challenge yet to IBM's dominant share of the Latin American market.

Sonda, Chile's biggest software and computer services company, cornered a 20 per cent share of the Chilean market last year with sales of $60m. With Mexico, Venezuela and Colombia planning private pension schemes soon, Sonda believes it will have the experience to run their systems.

Seoul takes tough line in phones row with US

By Hugo Dixon

SOUTH KOREA is taking a tough line with the US in a $100m-a-year trade dispute over international telephone calls.

Mr On-Chong Song, telecommunications minister, said the conflict would not be resolved if the US government viewed it purely as a way of reducing the money US telecoms carriers now pay their Korean counterpart to settle the imbalance of calls between the two countries.

Mr Song said Seoul was moving on with privatisation of Korea Telecom, stalled by weakness of the local stock market. About 20 per cent of the company's shares would be sold to Korean investors in the next year, with plans for half the company to be sold eventually, he added.

In 1988, the latest year for which figures are available, the US made 121m minutes of phone calls to Korea but received 31m minutes back. Because of this imbalance, US carriers had to pay Korea Telecom $106m (£61.6m).

The US, which faces a $3bn annual deficit on international calls with the rest of the world, has been pressing Korea and other countries to cut international charges to boost traffic, thus cutting the imbalance which causes the deficit. It has also been calling for cuts in "accounting rates" which determine how much has to be paid to settle the imbalance in traffic.

Mr Song defended the Korean prices. They were "not so high" compared to the price of calls from Japan and the US to Korea. He also defended South Korean rates: "The money we receive from accounting rates is lower than charges we receive from consumers, which implies they are not really higher than costs."

● Asia has overtaken the Middle East as South Korea's largest overseas construction market, a report by Seoul's construction ministry shows.

The shift reflects rapid expansion in orders from south-east Asia, mainly Malaysia, Indonesia and the Philippines. Delays in rehabilitation projects from Iraq and Kuwait after the Gulf war have prompted a cut in orders from the Middle Eastern market.

Ministry statistics show that in the first nine months of this year, Korean companies received orders worth $670m from other Asian countries.

This, which represents 44 per cent of all overseas orders during the period, is almost double the value of contracts received from Asia in the same period of 1990.

But orders from the Middle East declined sharply, representing just over one-tenth of the $5.39bn-worth of contracts received in the first nine months of last year.

This was despite contracts resulting from the $4.6bn Man-Made River project awarded to Dong Ah Construction by the Libyan government.

A construction ministry spokesman said recovery was expected in the Middle Eastern markets as contracts at present under negotiation are concluded with Iraq and Kuwait.

Charter airline duty-free reprieve may be temporary

EUROPE'S charter airlines are heaving a collective sigh of relief after EC finance ministers agreed to postpone abolition of duty-free concessions, Tim Burt reports.

The carriers, which dominate a package holiday market worth over £1bn, claim that plans to end duty-free sales from 1993 would have increased their costs by up to 30 per cent and threatened their survival. But their reprieve may be only temporary. The European Commission has backed a Dutch proposal to defer abolition by just four years, following introduction of the single market.

Airline executives see this as a stay of execution which does nothing to cut their potential losses. Led by the International Duty Free Confederation (IDFC), they are pinning their hopes on a British plan for a 10-15 year transition period involving a review before a final decision.

Mrs Christiane Scrivener, EC tax commissioner, rejects the UK proposal. She is determined duty-free sales will not survive to hamper withdrawal of frontier controls between EC member states. Her stand has dismayed charter airlines. They fear eventual abolition of concessions will force airports to raise landing fees to offset the loss of duty-free revenue and deprive them of their own in-flight sales. Higher airport charges and loss of duty-free revenue will put pressure on carriers to raise ticket prices in a market aimed at budget holidaymakers. Ms Sally Bliss, of the Brussels-based IDFC, warns: "Most European charter carriers are in financial difficulties. Anything which aggravates that will put them in a difficult position."

Danes to sign deal for M-way bridge

THE Danish government has decided to sign a multi-billion kroner contract to build a motorway suspension bridge across the Great Belt, although it is involved in a court case in The Hague in which Finland has challenged the bridge's legality, Hilary Barnes reports from Copenhagen.

The Great Belt is the main shipping lane linking the Baltic and the Kattegat. The contract, with a German and an Italian consortium, will be signed on October 22, the Danish transport ministry says.

The 65 metre clearance for the suspended section will not be high enough to allow the Finns to tow oil drilling rigs made at a Finnish ship yard out of the Baltic. The Finns say this contravenes Denmark's treaty obligations to allow free passage to all shipping.

Yesterday, water flooded a rail tunnel being built under the Belt. The accident is expected to delay work on the tunnel, already 13 months behind schedule, for several months.

Baltic states in scramble for hotel joint ventures

Former state-run properties are being transformed into islands of western comfort, writes **Gillian Tett**

MR Mehis Taliste, manager of Tallinn's Palace Hotel, speaks like a man besieged. As acting head of a Finnish-Estonian joint venture hotel enterprise, set up two years ago by the Finest Hotel Group to build a western standard hotel for foreign businessmen, he presides over a little citadel of western comfort in Tallinn.

The endeavour is one of the first of its kind in the Baltics. Unlike the Intourist and other state-run hotels that previously dominated the Soviet hotel industry, it offers rare – by Soviet standards – luxuries such as direct-dial international telephone lines, smiling receptionists and sachets of shampoo in cockroach-free bathrooms.

"Outside the doors of the hotel we can guarantee nothing. Inside, though, we struggle to maintain western standards," says Mr Kaliste, who claims demand has been so high in recent months that the 91-bedroom hotel has been running at 100 per cent capacity with a turnover in the first year of business of 14m Finnish Marks (£1.97m).

The venture is already spawning a series of competitors. As hopes rise in the Baltics of a future tourist and business boom in these, the most westernised of the former Soviet republics, foreign companies are scrambling to turn the old state hotels into western-standard enterprises.

Most of this business is still being conducted as joint ventures. Although Estonia recently adopted a liberal foreign investment law which theoretically permits 100 per cent foreign ownership, conditions for the lease of state property remain more favourable for joint ventures.

In Tallinn, the Finest Hotel Group is planning to carry out a facelift on another large, previously state-owned hotel, the Olympia, turning it into a cheaper version of the Palace Hotel. Baltlink, an Estonian, Austrian and Finnish shipping and ferry joint venture, has agreed plans to build a 200-bedroom tourist hotel and restaurant complex in the heart of Tallinn. Amerest, a US-Estonian joint venture, is planning to build a five-star business hotel, which according to the Estonian Chamber of Commerce, will then become part of the Sheraton Hotel chain.

One hotel offers rare luxuries, by Soviet standards, such as direct-dial international telephone lines and sachets of shampoo in the cockroach-free bathrooms

However, it is in the Latvian capital of Riga that the hotel expansion is occurring most rapidly. According to Mr Aivar Purinsh, deputy manager of Riga's municipal hotels organisation, five of the 13 hotels under municipal jurisdiction are now being renovated as joint ventures.

A part of the centrally-located Hotel Riga for example, is being rebuilt by a Latvian-German joint venture to turn it into a 90-bedroom western-standard hotel at a cost of DM7m (£2.4m). Another previously shabby state hotel, the Daugava, is undergoing a similar $10m (£5.8m)-worth of reconstruction by Polarbek, an American-Latvian joint-venture construction company. A Swedish-Latvian joint venture which has already successfully turned one floor of the Riga Hotel into a tiny 16-bedroom business-class enclave, is now carrying out a SKr18m (£1.7m) renovation of the Hotel Metropole.

Under a joint venture deal signed recently between the municipal hotel organisation and the American company A B Khan, another two hotels in Riga will be developed into a five-star, 200-room hotel complex – a venture that, according to Mr Purinsh, is part of a $100m investment package by A.B. Khan.

Even Latvia's Intourist hotel, named in true Soviet bureaucratic style the Hotel Latvia has now broken free.

Similar initiatives are under way to develop other aspects of Latvia's infrastructure. The Latvian ministry of communications is due to decide by the end of this month between rival bids from Swedish Telecom and the American companies AT&T and US Sprint, to develop the telephone system.

Under a $25m joint venture signed between the Latvian ministry of civil aviation and an American-based investment group, Baltic International USA, a new airline company – Baltic International Airlines – is being set up as the successor to Latvian Aeroflot.

The Latvian civil aviation ministry is also viewing plans to develop Riga's small international airport, which currently handles 1m passengers.

These hopes seem somewhat optimistic, considering Riga airport only has the capacity to handle 500 international passengers a week at the moment. But it seems to be enough to persuade the hotel jointventure groups that there will be enough western customers to *fill the beds in their future* western-style hotels.

Hashimoto bows out as Japan's finance minister

By Robert Thomson in Tokyo

MR Ryutaro Hashimoto formally bowed out yesterday as Japan's finance minister to take responsibility for the series of securities and banking scandals which he and the country's financial industry now want to regard as closed cases.

After arriving back from international financial meetings in Bangkok, Mr Hashimoto tendered his resignation, which had already been announced, to Mr Toshiki Kaifu, the prime minister, who will look after the portfolio until his term expires at the end of this month.

Today marks the start of tough penalties imposed on the four leading stockbrokers for compensating clients for securities losses after March 1990, with Nomura Securities, the largest house, suffering the harshest punishment because of its excessive promotion of shares in a railway group, Tokyu Corporation, in which an alleged gang leader had acquired a large stake.

Nomura is banned from broking equities for a month at 86 branches and offices, while the ban will apply at the head office and seven large branches for an additional two weeks to November 25; these eight were seen to have played a leading role in the promotion of Tokyu Corporation stock.

The other houses, Daiwa Securities, Nikko Securities, and Yamaichi Securities, along with Nomura, are also banned from all business with corporations, including underwriting and broking, for between one and three weeks. Nikko received the three-week penalty for compensating clients who had pledged in writing not to accept payments.

Brokers said yesterday that the measures were likely to result in lower share turnover on the Tokyo Stock Exchange, but that they were unlikely to have a long-term impact on Nomura's position as the leading Japanese securities house.

Having overseen the punishment of the Big Four brokers, Mr Hashimoto said yesterday that they must now work to win back the trust of ordinary investors disillusioned by the preferential treatment of corporate clients.

Mr Hashimoto said the ministry's bureaucrats, condemned for their lax supervision, must prevent a repeat of the scandals, which also touched his former secretary, who was allegedly involved in arranging illegal bank loans.

But there were signs yesterday that the scandals have not yet come to a close, as Yamaichi Securities issued a formal statement denying Japanese press reports that it had returned up to 40 per cent of stock brokerage commissions to favoured customers at one of its branches.

Yamaichi said it is aware that the Finance Ministry is continuing investigations into allegations of client compensation, but that the broker had never given a pre-investment pledge of fee reimbursement, nor had it promised to buy back newly-placed shares or convertible bonds from clients.

Big Four downgraded by S&P

By Patrick Harverson in New York

STANDARD & POOR'S, the US ratings agency, yesterday downgraded Japan's four leading securities houses because of concern about the effect of the recent financial scandals on long-term earnings and profitability.

Last week Nomura Securities, Daiwa Securities, Nikko Securities and Yamaichi Securities were temporarily suspended from participating in a range of business activities by Japan's finance ministry.

S&P cut its long-term credit rating of Nomura from AAA to AA-plus, of Daiwa and Nikko from AA to AA-minus, and of Yamaichi from AA-minus to A-plus.

The ratings of the four groups' subsidiaries were also lowered, but their short-term debt ratings were not changed.

The downgrading reflects S&P's concern that the recent slowdown in stock market activity, which has been partly triggered by a loss of investor confidence following the scandals, will hit profits.

The ratings agency is also worried about the impact on earnings and operating flexibility of the structural changes taking place in the Japanese financial market.

Japanese bankruptcies and debt grow

By Robert Thomson

JAPANESE bankruptcies in September totalled 846, a 59 per cent increase from the same month last year, while outstanding debts were Y564.6bn (£2.5bn) more than six times higher than a year earlier.

Business failures were blamed on the collapse of Japan's financial bubble, which saw sharp increases in failures of property and financial companies, while a labour shortage was also said to be an important cause of bankruptcy.

Japanese credit research agencies said that in the first half of this fiscal year, beginning in April, the bankruptcies left outstanding debts totalling Y3,818bn, a record for a six-month period.

Teikoku Data Bank said the debt total was almost five times higher than the same period last year, with the largest failure that of an Osaka restaurant run by the stock investor Ms Nui Onoue, which owed Y410bn. The agency said labour shortage-related failures rose 70 per cent while those linked to financial investment were 260 per cent higher. In all 5,244 companies failed during the half; a 78.8 per cent rise on the same period last year.

New Zealand ready to consider visits by N-powered vessels

By Terry Hall in Wellington

NEW ZEALAND'S National Government yesterday established a committee of senior ministers to decide if it is safe to allow nuclear-powered vessels to visit the country's ports.

The decision follows reports that the government intends to relax anti-nuclear legislation passed by the previous Labour administration, which effectively saw the end of the regional Anzus pact and strained relations not just with the US but with Australia and Britain as well.

Last month's decision by US President George Bush to start phasing out the carrying of nuclear weapons aboard US ships over the next two years was warmly welcomed by the government as an apparent way out of the impasse.

It coincided with an unscheduled meeting in New York, the first since 1984, between Mr Bush and Mr Jim Bolger, the New Zealand Prime Minister.

National government ministers, headed by Mr Don McKinnon, the deputy prime minister and foreign minister, have been lobbying hard for restoration of Anzus, in spite of opinion polls showing an overwhelming majority against changing the anti-nuclear law. In opposition, the National party had pledged to retain this legislation.

A recently-commissioned poll showed, however, that 52 per cent of the population was in favour of visits by nuclear powered vessels.

The government apparently does not intend drastically to amend the legislation, but to make the passage of nuclear-powered vessels in New Zealand ports a safety matter to be decided by local port authorities and harbour boards. Weekend reports, correctly forecasting the cabinet decision, said the matter was likely to be resolved over the next three weeks while Mr Bolger was overseas visiting the Commonwealth heads of government meeting in Harare, Namibia and Europe.

Mr Bolger is in deep political trouble for abandoning other election promises, and it is said his absence will allow other ministers to shoulder the responsibility for what will be a controversial decision.

Announcing the decision before going overseas, Mr Bolger said that with the US "no nukes" policy, the visits of ships here ceased to be an issue. Mr Winston Peters, the popular former Maori Affairs minister who was sacked last week, said the decision would be the "final nail" in the government's coffin.

Latest polls show that the National party has just 22 per cent support compared with Labour's 44 per cent.

Nobel prize for Burma opposition leader

By Alexander Nicoll, Asia Editor

AUNG SAN SUU KYI, the Burmese opposition leader and democracy campaigner who has been under house arrest in Rangoon since July 1989, was yesterday awarded the 1991 Nobel Peace Prize.

The Nobel Committee said her non-violent struggle for democracy and human rights was "one of the most extraordinary examples of civil courage in Asia in recent decades".

Since Burma's military rulers have allowed her no visitors or any other outside contact for over a year, it was not known whether she was aware of the award. Her husband, Mr Michael Aris, a British expert on Tibet who is currently a visiting professor at Harvard University, said he hoped it would put pressure on Burma's authorities to free her.

"Her cause is simple – it is human freedom, and she has struggled for it and she has suffered for it along with many of her people," Mr Aris said.

Aung San Suu Kyi, 46, was one of the most prominent leaders of a popular uprising in 1988 which was brutally crushed as the army seized power. Her party, the National League for Democracy, won a landslide victory in general elections held in May 1990.

However, by the time of the elections she had already been confined to her compound beside Rangoon's Inya Lake for 10 months.

The ruling State Law and Order Restoration Council (Slorc) did not honour the election result, remains in power, and has ignored pressure from around the world – renewed in government statements yesterday – to hand over to democratically elected leaders and cease abuses of human rights.

Aung San Suu Kyi has become the most potent symbol of hope for the Burmese people.

She is the daughter of General Aung San, a national hero who negotiated Burma's independence from Britain and was assassinated in 1947 when he was 32 and she was two years old. She was educated in Burma, India and at St Hugh's College, Oxford. After marrying Mr Aris, who is an Oxford don, in 1972, she pursued a life of scholarship and motherhood – they have two sons – until March 1988, when she returned to Burma to tend her dying mother.

The popular disturbances forced her to accept that the time had come to pick up her father's torch. She entered politics, writing a letter in July to the government suggesting reforms. By late August she was addressing a huge crowd in Rangoon. After the September crackdown, in which thousands were killed or wounded by troops, she said: "Despite it all I still believe that we must try for a peaceful and constitutional change."

Over the ensuing months, she continued her campaign and attracted large crowds despite a military ban on gatherings. Finally, her plans for ceremonies to mark the anniversary of her father's assassination proved too much for the army which sent troops on to the streets. She was placed under house arrest the next day.

Example of courage: picture of Aung San Suu Kyi taken in April, 1989 before her house arrest

Aung San Suu Kyi is most unlikely to be able to collect in person the $1m award in December, because of the serious risk that she would not be allowed back into Burma even if the authorities released her to go to Oslo. They have said she cannot be released unless she renounces politics.

Nor is there any evidence that the Nobel award, though it may embolden campaigners for democracy, will have any immediate effect on a regime which has no qualms about imprisoning political activists and other methods of suppressing opposition.

Rangoon Radio's evening broadcast yesterday made no mention of the award. The first secretary of Burma's embassy in Bangkok was quoted by Reuters as saying that Aung San Suu Kyi was a troublemaker. "She was always leading the people the wrong way, which led to a chaotic situation in our country."

However, Mr Sein Win, another opposition leader, said in New York: "We are very happy. We were waiting for that news. It will change the situation, but I cannot say how. It is a great embarrassment to the military."

Amnesty International, the human rights group, said it hoped the award would draw attention not only to Aung San Suu Kyi's situation but also to that of hundreds of others detained in Burma.

Mr Aris said: "No matter how long they keep her isolated, I know that her spirits are indomitable. She will not give up."

Commonwealth urged to promote human rights

By Robert Mauthner and Michael Holman in Harare

HUMAN rights organisations throughout the 50-nation Commonwealth yesterday called on the leaders of the member countries to match their words with deeds by actively promoting human rights and democracy.

Non-governmental organisations meeting in Harare on the eve of a Commonwealth heads of government conference urged the leaders to create a standing commission to monitor human rights on a regular basis. The Commonwealth should prepare to impose sanctions, or even suspend membership of countries where "major human rights violations have occurred, or in the event of the overthrow of democratic governments by unlawful means".

Mrs Flora MacDonald, the former Canadian external affairs minister who chairs the "Commonwealth Human Rights Initiative" of non-governmental organisations, said at a press conference yesterday: "I do think that they have to do more than put a few words on paper. If the Commonwealth is not prepared to make a real effort on human rights, it will lose all credibility as an organisation."

In a communiqué due to be presented to Zimbabwe's President Robert Mugabe, chairman of the heads of government conference, the groups also called for freedom of political association, freedom of the press and a limitation of the powers and terms of office of executive heads of state.

The appeal follows a highly critical report earlier this month by Human Rights Watch, the independent monitoring organisation of civil liberties around the world.

That report stressed that "virtually every Commonwealth member state had an imperfect record of assuring protection of human rights. It specifically cited Ghana, India, Kenya, Malawi, Nigeria, Zimbabwe and the UK as countries guilty of serious human rights abuses.

The appeal for a new human rights charter comes at a time when Chief Emeka Anyaoku, the Commonwealth secretary-general, has himself urged the member countries to do much more to implement their self-proclaimed attachment to democratic principles. His views are expected to be echoed in a report on the future role and tasks of the Commonwealth due to be adopted by a group of foreign ministers today.

At a press conference, Chief Anyaoku acknowledged that the leaders would have to take action in areas of democratic government, human rights and rule of law. But he did not favour a linkage between aid levels and human rights performance, stressing that it would be unwise to adopt a policy which would not be acceptable to some members.

Baker tackles peace talks issues

By Tony Walker in Cairo and Lamis Andoni in Amman

MR James Baker, US secretary of state, arrived in Amman yesterday on the second leg of his latest Middle East peace mission, his footsteps still dogged by disagreement over the vexed issues of Jerusalem and Palestinian representation at a proposed peace conference.

But his efforts to convene a conference were given a boost by the reports that the Palestine Liberation Organisation had agreed to the idea of joint Jordanian-Palestinian representation at such a gathering.

PLO officials said Jordan and the PLO had begun discussions on the make-up of a joint delegation.

After talks earlier in the day with President Hosni Mubarak of Egypt, Mr Baker said that the formula for establishing who would represent the Palestinians had not been resolved.

Both Mr Mubarak and Mr Baker, however, said in a brief prepared statement for reporters that they hoped the planned peace conference could be convened by the end of the month, as scheduled.

Israel has said repeatedly that it will not discuss Jerusalem, which it regards as its united and eternal capital. Nor will it countenance dealing with Palestinians associated with the PLO.

Mr Baker has been pressing the Palestinians to join a delegation with Jordan at the proposed peace conference as a way around Israeli objections.

The PLO's Central Council, the organisation's 100-member policy-making body will meet in Tunis tomorrow to decide whether to accept a backstage role in preparations for the conference.

PLO officials are becoming increasingly agitated over signs that the US is not prepared to make any significant face-saving gestures to the guerrilla organisation in exchange for its co-operation.

Mr Yassir Arafat, the PLO leader, on Sunday attacked what he described as US hostility to the Palestinians.

The Tunis-based leadership has been seeking stronger US support for Palestinian political rights, a halt to Jewish settlements in the occupied territories once the conference convenes, an acknowledgement of the PLO's right to nominate representatives and agreement that the issue of Jerusalem will be "on the table" in any negotiations.

A session of the Palestine National Council, the Palestinian "parliament-in-exile", held in Algiers last month expressed support for US peace efforts, but made it clear that the PLO should be solely responsible for nominating Palestinians at the peace summit.

PLO officials say they are motivated by a sense of "patriotic realism" in their desire to accommodate US efforts to break the impasses in the Arab-Israel dispute. But they also insist that the PLO cannot abdicate its responsibilities as the "sole, legitimate representative of the Palestinians".

Nato ally warns Ankara after raids on Kurdish villages

Bonn protests at Turkish attack

By John Murray Brown in Ankara and Our Foreign Staff

GERMANY has protested to Ankara over the Turkish bombings of Kurdish villages in northern Iraq over the weekend and vowed to do all in its power to stop the attacks.

Bonn described the Turkish action as a violation of human rights and the political standards set by the Conference on Security and Co-operation in Europe.

"We made it clear that the federal government will use all means at its disposal to protect the lives of the innocent and suffering Kurdish population in Iraq," a German foreign ministry spokesman, Mr Hanns Schumacher, said.

But he stopped short of endorsing a threat by Mr Ottfried Hennig, parliamentary state secretary for defence, that Bonn might halt military aid to its fellow Nato member if Turkish troops renewed attacks. In Ankara, a senior military official said Turkey was pulling forces out of northern Iraq after destroying a string of Turkish separatist Kurdish bases in cross-border raids.

Turkey's ruling Motherland party (Anap) faces the electorate next weekend and is under increasing domestic pressure to take a strong line against the separatists of the Kurdish Workers' party (PKK), who since the allies withdrew in July have exploited the power vacuum in northern Iraq to raid Turkish border posts.

Whether the bombing of villages up to 20 miles inside northern Iraq resulted in PKK losses is hard to establish. Diplomats see the action as Ankara's way of emphasising its claim that the PKK represents an external threat, despite evidence to the contrary. President Turgut Ozal earlier threatened to force the PKK from its "fox-holes" as far away as the Bekaa Valley in Lebanon if necessary.

Apart from Germany, Turkey's Nato allies are unlikely to criticise the operation, unless there is strong evidence that civilian villages were deliberately targeted.

Western diplomats argue that the PKK is a terrorist organisation and that Turkey's incursion is justified as self-defence – a direct response to the attack last week in which 11 Turkish soldiers were killed.

But there is still serious allied concern about the raids, which threaten to end a recent rapprochement between Ankara and the Iraqi Kurds and jeopardise a vital cross-border relief operation by the UN for 350,000 people still stranded near the Iranian border.

Singapore looks to lower rates of growth

By Joyce Quek in Singapore

BRIG GEN Lee Hsien Loong, Singapore's trade and industry minister, said yesterday that the island state would achieve 6.5 to 7 per cent economic growth for 1991, compared with earlier official projections of 6 to 8 per cent. Second half performance is unlikely to match the first half's 7.3 per cent growth.

Mr Lee, son of the former prime minister, Mr Lee Kuan Yew, said Singapore needed to be extra watchful about its competitive position and get used to lower but more sustainable growth rates.

Some 800 business, union and government leaders yesterday heard an outline of the Strategic Economic Plan (SEP), which includes a target for Singapore's living standards to match those of the US by the year 2030.

Algerian electoral law veto may delay poll

By Francis Ghilès

THE ALGERIAN national assembly has rejected key amendments to the electoral law proposed by the government of Mr Sid Ahmed Ghozali, the prime minister, in a move which may further delay the country's first multi-party general election.

The election, due later this year, was postponed in June after a dispute over constituency boundaries led to Islamic fundamentalist riots in Algiers and the fall of the government of Mr Mouloud Hamrouche.

Mr Ghozali, who replaced Mr Hamrouche and vowed to hold fair elections, immediately challenged the assembly's decision and said he would ask President Chadli Bendjedid to send the law back for a second reading.

The present members of the assembly all belong to the National Liberation Front (FLN), the party which held a monopoly of power until the riots of October 1988.

The latest disagreement centres largely on the deputies' insistence on the right of men, enshrined in the existing electoral law, to vote by proxy for their wives on production of a wedding certificate, a system widely abused in the 1990 local elections which gave the fundamentalist Islamic Salvation Front (FIS) a majority of town councils.

Mr Ghozali has insisted that women must give written authority for any proxy vote.

The deputies also want to keep 423 seats in the assembly, instead of the 372 favoured by the government, and they oppose the government's plan to lower the minimum age of candidates to 25 from 35.

Even before he was appointed prime minister, Mr Ghozali had made known his opposition to electoral gerrymandering by refusing to stand as a candidate for parliament for the aborted June election.

Since his appointment he has consulted with the more than 40 political parties, although the FIS leaders are under arrest and awaiting trial after a government crackdown.

The prime minister knows that many of the deputies would be happy to cross over to the FIS in order to save their seats and the many privileges which they have enjoyed in the FLN's 29-year rule.

NEWS IN BRIEF

N'Djamena calm after rebels are repelled

ARMOURED cars withdrew from the streets yesterday and the capital was slowly returning to normal after loyal troops repelled a rebel attack on a weapons depot near N'Djamena international airport, AP reports from N'Djamena, Chad.

Three rebels and one government soldier died in Sunday's fighting, according to Information Minister Mahmat Salem Ahmat, who blamed military and political officials.

Mr Ahmat did not identify them, but unconfirmed reports said government forces arrested Mr Maldom Bada Abbas, the interior minister and vice-president of the ruling Patriotic Salvation Movement.

The party is led by President Idriss Deby, the former rebel leader who took power in December.

Death sentence for Kaunda son

Zambian President Kenneth Kaunda's youngest son was sentenced to death yesterday for murdering a woman two years ago but immediately appealed against the conviction, Reuter reports from Lusaka.

Judge Claver Musumali said the prosecution in Lusaka's High Court established "beyond all reasonable doubt" that Kambarage Kaunda, 26, intentionally killed 20-year-old Tabeth Mwanza in September 1989. Kaunda had pleaded not guilty to murder, saying he shot the woman in self-defence.

UK team tackles Kuwait oil fires

The Kuwait British Group (KBG), a consortium of Amec, Wimpey and Taylor Woodrow, has begun work on controlling oil fires in Kuwait's northern Sabriya field and expects to extinguish its first well before the end of this week, writes Mark Nicholson.

Neil Adams, a US blow-out team subcontracted by KBG, has begun work on some 40 wells in the field. KBG had initially been contracted to control all 80 damaged wells there, but Kuwait, eager to have the fires controlled as quickly as possible, has directed other firefighting teams into the area. Almost 600 of the 735 wells ignited by the Iraqis have already been extinguished by teams from the US, Canada, China, Romania, Hungary and France. Kuwait expects all the fires to be out by mid-November.

Peking voice in airport project

Hong Kong yesterday appointed a mainland Chinese representative, Shu Tse-wong, to the authority which is overseeing the construction of the colony's new airport, Angus Foster reports from Hong Kong. The appointment was agreed between Britain and China as part of the solution to a long-running row about whether the airport should go ahead.

Every chief executive wants to top last year's performance. If there were a safe way, anyone could do it. The right blend of risk taking and risk containment must guide decisions. Especially at a moment when Europe is about to break new ground.

For us, 1992 has already arrived. To assist those managers who look to the European Single Market as promising new opportunities but also posing new insurance problems, we've come up with a distinctive European solution: the Zurich Europolicy. Its advantages for you?

Your cross-border risks are covered in one package. As a multilocal insurer, we are familiar with conditions in all the different countries. Local specialists assess your company's European risks on the spot. An internationally coordinated analysis informs you how to reduce your risks and insure against them.

Or do your plans go beyond the EC? True to its multilocal concept, the Zurich facilities are firmly established in more than 80 countries. We are one of the world's leading insurance groups. Our AAA rating attests to our financial muscle. There is virtually no type of industry in which we are not involved. We provide comprehensive insurance packages instead of incoherent covers. Protecting major international risks is part of our everyday business.

Don't forget: "multilocal" means local too. Even if your interests are closer to home, there is every reason to seek a financially sound partner with first-hand knowledge of international developments. Whatever your plans, talk to us. Our business is worldwide security. Call your local Zurich office for more information.

"The challenge is to improve the efficiency with which we invest in our future."

A business leader

ZURICH INTERNATIONAL

GLOBAL SECURITY

IMF-WORLD BANK ANNUAL MEETING

G7 bitterly divided over how to handle Soviet crisis

Industrialised world is preparing for a possible debt service breakdown, report Peter Norman and Stephen Fidler

IMF WORLD BANK

A combination of political disarray and the peculiarities of its financial structure have brought the problems of the Soviet Union on to the Group of Seven's agenda in crisis form this week.

The disclosure yesterday that the world's leading industrial nations were preparing contingency plans for a possible breakdown in the Soviet Union's ability to service its foreign debt tells more about the constitutional problems of the former communist superpower than about its economic and financial potential.

But the issue has also exposed divisions among the seven - comprising the US, Japan, Germany, France, Britain, Italy and Canada - that in the case of Germany and the US threaten to become poisonous.

The immediate cause of the Soviet problem lies in an interruption of foreign exchange flows between the republics and the centre of the union.

Vneshekonombank, the Soviet Bank for Foreign Economic Affairs, which has issued the estimated $60bn (£34.8bn) of Soviet foreign debt is no longer the sole recipient of hard currency payments from abroad. As a result of one of President Mikhail Gorbachev's reforms, they can also go to enterprises and other institutions. As a result the Vneshekonombank has run short of the dollars and other foreign currencies needed to service its obligations.

Yeltsin (left) aware of financial problems worrying G7 finance ministers like Pierre Bérégovoy of France (right)

Recent disclosures by Soviet officials, including Mr Grigory Yavlinsky, the young, radical economist, now in charge of the Soviet economy, also point to a disturbing decline of other financial reserves.

Mr Yavlinsky has said that Soviet gold reserves, which the West had assumed totalled between 1,000 and 2,000 tons, were only 242 tons, worth about $2.6bn at current prices. He also told the G7 finance ministers that the Vneshekonombank only had sufficient foreign currency to meet Soviet external obligations for two months.

Many of the western officials who are now having to become instant experts on the Soviet Union believe that Moscow will experience payments problems by November, if not before. For this reason, the contingency plans are being prepared.

But G7 officials also point out that the Soviet Union is potentially the richest nation in the world, with an abundance of valuable natural resources. Its debt burden is not excessive in relation to estimates of its annual gross domestic product, and should be easily serviced. The Soviet Union's indebtedness is insignificant as an economic and financial problem compared with the Latin American debt crisis of the 1980s, they say.

But two things mark out the Soviet Union from other debtors. The first is the Soviet Unions's political crisis, with the breakdown of relations between centre and republics. The second is its nuclear arsenal.

Largely because of the weapons, the G7 committed itself to a sustained role in transforming the Soviet Union into a market economy and set out a reform agenda that included "the establishment of an operational framework for fulfilling existing and future financial responsibilities of the centre and the republics."

Stripped of its communiquese, this passage enjoins the Soviet Union to establish a way in which the flow of funds from the republics to the Vneshekonombank can be restored.

The Union treaty that was initialled by 10 republics last week would establish ways to channel the funds. Although it is thought that the payments system would be effective without full support from all the Soviet Union's remaining republics, it is still unclear when and whether the treaty will become effective. For that reason G7 ministers appeared at variance about the risk of payments problems in their post G7 briefings.

Mr Pierre Bérégovoy said that the Soviet representatives had reported that there would be no problems for the next two months. "But what will happen after that, we don't know."

Mr Theo Waigel, the German finance minister, said Mr Yavlinsky and Mr Viktor Gerashchenko, the head of the state bank of the Soviet Union, had assured ministers the Soviet Union would meet its obligations for "beyond" two months. Mr Lamont said the Soviet side made clear it intended to honour its obligations.

These differences were minor, however, compared with other tensions among the group. It is understood that President George Bush has been frustrated with the G7's response to the economic crisis in the Soviet Union since August's attempted coup. He believes Mr John Major, the UK prime minister, has been slow to coordinate action.

Relations between the US and Germany are worse - one official said they "had soured dramatically".

Germany encouraged the Europeans to stop US plans to go public with the liquidity plan at the weekend. The Bonn government feels bitter over whispers from Washington that the US rather than Germany is showing leadship over the Soviet Union.

More fundamental is the difference over the philosophy of burden sharing and the tactics for handling the crisis. The Germans have contributed some DM30bn (£10.3bn) to the Soviet Union and would suffer most if repayments of principal were deferred.

Although the US promises to raise substantial support for the Soviet Union in the future, the Germans argue it is wrong to publicise the existence of financial support without knowing exact details of conditions in the Soviet Union. It is still unclear, for example, who will take over responsibility for the debt.

These are some of the issues senior finance ministry officials known as the G7 deputies will try to establish when they visit Moscow. They are to meet the leaders of the republics to impress upon them the vital need to maintain credit worthiness as part of the strategy for restoring the economic health of the Soviet Union.

With the G7's secret plans now in the public domain, they are hoping the financial markets will not force their hand.

G10 to strengthen ties with regulators

By Peter Norman

THE Basle Committee of bank supervisors from the Group of 10 western industrial countries is to step up co-operation with supervisors from the securities and insurance industries, Mr Gerald Corrigan, the committee chairman, said.

Mr Corrigan told a private meeting of bankers and monetary officials in Bangkok that the committee hoped to have a meeting with security regulators by the end of this year and in December would also meet insurance supervisors.

He said he hoped co-operation with the security regulators could produce the outlines of a common approach to incorporating the risks arising from the trading of marketable financial instruments into capital adequacy rules in the first half of next year.

But it was a difficult problem for bank regulators because of the frequent price changes of financial assets and it had been made more complex by the emergence of hedging mechanisms.

Mr Corrigan, who is president of the New York Federal Reserve Bank, said the committee would also take a new look at the supervision of banks' off-balance-sheet activities. The supervisors were not satisfied that these were adequately regulated, particularly insofar as they concerned so-called netting arrangements.

But again the issues and calculations involved were complex. Mr Corrigan, who was appointed chairman of the Basle group just three days after the Bank of Credit and Commerce International was closed, said the supervisors might consider introducing a better policy of co-ordinated and harmonised standards for the authorisation of foreign banks in certain countries. They might also review the working of consolidated supervision of bank groups and consider improved ways of co-ordinating the closure of international banking groups.

But he stressed that BCCI was an exceptional case and the bank supervisors' committee did not want to make policy on the basis of such cases.

Gorbachev aide says economic treaty will be signed on Friday

By Leyla Boulton in Moscow

CONFUSION surrounding the Soviet Union's proposed treaty for an economic union eased somewhat yesterday when a top aide to President Mikhail Gorbachev confirmed it would be signed on Friday, by 10 or perhaps all 12 Soviet republics.

Mr Grigory Revenko, chief of the presidential staff, also said western financial officials were "right" to express scepticism about the figure of 240m tonnes given as the Soviet Union's official gold reserves.

"The president knows this figure and I know it," he said. But he declined to name it or to say when it would be available to western financial officials trying to sort out Soviet requests for financial help. The gold figure is needed by the west to assess Soviet requests for help with debt repayments and to process its application to become a full IMF member.

The Soviet Union faces a cash shortage of more than $7bn (£4bn) for the last four months of 1991, making it impossible to meet its foreign payment obligations to the end of this year without outside assistance. The shortfall is the difference between the amount of foreign currency going into state coffers and the amount supposed to come out. The shortfall represents debt obligations, which make up the main burden, as well as trade and other financial operations.

Western financial officials are exploring three options to help prevent the Soviet Union defaulting on its $68bn foreign debt, so that Moscow is not barred from raising further loans.

One option would be to arrange a so-called "jumbo loan" from western commercial banks, which would be backed by Soviet gold reserves. The problem here is that the west is not convinced by the official reserves figure of 240m tonnes provided by Mr Yavlinsky, the chief Soviet economic strategist, who is heading the Soviet delegation to Bangkok. The other two options would be to provide a bridging loan from the Bank for International Settlements, or to delay principal payments in the last quarter of 1991.

A Group of Seven delegation is expected in Moscow soon to try to unearth the economic and financial information Soviet authorities have failed so far to produce. The problem is a mixture of lack of co-ordination among officials in Moscow and the fact that some data is not available. "If they can't produce a full picture, there's no harm in the delegation coming here to try and piece one together for themselves," one diplomat said.

Mr Gorbachev, Mr Boris Yeltsin, the Russian president, and other republic leaders have agreed to set up a special agency to act as single interlocutor for western financial organisations, Mr Revenko said.

IMF-WORLD BANK

Walters raises some eyebrows

By Stephen Fidler and Peter Norman

SIR Alan Walters loses none of his ability to surprise. Sitting on a panel which included several prominent figures from the Soviet Union, Sir Alan – Mrs Margaret Thatcher's former economic adviser – suggested the Soviets should not get too hung up about inflation. Neither should they worry about who owns enterprises, but more about how well they are managed.

This hardly appears to be the kind of advice he was giving to Mrs Thatcher. Moreover, it was not the sort of message regarded as helpful by some of the representatives of the World Bank and IMF at the gathering. Bringing down inflation and privatising enterprises are central to their policy prescriptions.

CONFERENCE DIARY

Sir Alan appeared to be suggesting that the important issue was to make sure that prices operated effectively and that bringing down inflation was secondary. He pointed out the price mechanism works in Brazil, even in an inflationary environment. The suggestion was presumably that repressed inflation is worse than unrepressed inflation.

He cited the British privatisation experience as the basis for his second assertion. With new management installed and strict cash limits imposed, public enterprises in Britain operated far more efficiently than hitherto. This latter suggestion was not received kindly by Mr Vaclav Klaus, the Czechoslovak finance minister. "The whole experience of socialism was just an attempt to tackle the problem of management. We were taught by our ideological watchdogs that ownership was not important."

□□□□

The delegation from the Soviet Union was busy reminding everybody yesterday just how tough it is going to be for the west to help them out of their difficulties. Among others sitting with Sir Alan were Mr Grigory Yavlinsky, the young economist now in charge of the Soviet economy, and the deputy chairman of the National Bank of the Ukraine, Mr Oleksandr Savchenko. In a heated exchange, Mr Yavlinksy suggested that the Ukraine was "broke", lacking the funds even to buy a $12m (£6.9m) printing press. He added: "You haven't been a country for hundreds and thousands of years." To which the Ukrainian replied that the Union had been the cause of economic ruin in his country, stealing Rbs30bn (£10bn).

□□□□

Mr Hilmar Kopper, the head of Deutsche Bank, yesterday called for western industrial nations to provide $4bn-$5bn in "bridging finance" to the Soviet Union over the next three to five years. The money would be used to bide the country over expected liquidity problems and avoid a rescheduling of the debt, he said. The Soviet Union's huge raw material resources meant the country was "not overly in debt".

□□□□

The decision of the Group of Seven finance ministers to extend their weekend meeting into a third day on Sunday has caused dismay among some IMF staffers.

It meant the industrial world's most important countries were only represented by officials for much of the day in the Interim Committee, the Fund's policy-making body.

Mr Michel Camdessus did not rise to the bait when asked whether the decision of the G7 to meet in this way did not undermine the IMF's authority and devalue that the Interim Committee as the prime decision-making body for the international monetary community.

The blame for the confusion was pinned on the hapless Soviet delegation, half of which had arrived too late to join in talks with the G7 on Saturday.

But the coincidence of the two meetings was a reminder of how the big industrial countries can be a law unto themselves while espousing the importance of the IMF in the managing the world economy.

AMERICAN NEWS

Cost of basic food is rising 2.5 per cent a day following devaluation

Brazil to reimpose controls on prices

THE Brazilian government, fighting a losing battle against inflation approaching 21 per cent a month, returns this week to a system of price controls, writes Christina Lamb in Rio de Janeiro.

President Fernando Collor de Mello took the controversial decision after producers used the excuse of a 16 per cent devaluation two weeks ago to raise prices by as much as 60 per cent. The last fortnight has seen the highest price rises since Mr Collor took office 19 months ago, with the cost of basic food products increasing 2.5 per cent a day.

The reimposition of controls – which has met fierce criticism – comes just days after the last price freeze, imposed in February, was lifted. Businessmen fear the move heralds a new freeze, even though the government has ruled this out.

Brazil has frozen prices five times in as many years, but each time failed to bring down inflation.

Under the new regime items such as soap and sausage will have their prices controlled by the government while the cost of other goods – including toothpaste, plate glass and ice cream – will be monitored. If their prices rise too much controls will be imposed. Import tariffs on vegetable oils have been temporarily dropped to force down the price of Brazilian soya oil, which went up 38.5 per cent last month.

The list is small and leaves off food items such as butter, which has gone up 163 per cent in the last three months, and chicken, which climbed 396 per cent.

But Ms Dorothea Werneck, the National Economy secretary, said yesterday the list was "preliminary" and that she would be meeting businessmen in various sectors this week to persuade them to review their prices.

If they did not comply controls would be imposed.

Those called to explain recent rises include Fiat and General Motors.

Church falls foul of the changing times

Evangelical sects are pulling followers away from Catholicism, **writes Christina Lamb**

POPE John Paul II is in the early stages of a 10-day Brazilian tour, at a moment of crisis for the church in the world's largest Roman Catholic country.

When the Pope addressed the faithful in the small north-eastern town of Natal at the weekend, in nearby neighbourhood halls thousands more turned out to hear evangelical speakers promise them heaven on earth.

The Pope's request to make this trip is a clear sign of the Vatican's preoccupation with the recent explosion of evangelical sects in Brazil.

Avoiding big cities, the Pope's tour concentrates on the interior and the poverty-stricken north-east, which have proved fertile ground for the evangelists and their 16m followers.

In poor towns like Natal sects such as the Assembly of God, God is Love, or the Universal Kingdom of God have flourished among underprivileged communities, while the modern cathedral is rarely full.

Ironically the Brazilian church is far closer to the Pope's own vision today than it was on his last visit 11 years ago. Then liberation theologists were in the fore and the Pope feared a division between the church in Latin America and Europe.

The Vatican has successfully clamped down on radical priests – such as Friar Leonardo Boff who, in 1985, was ordered to observe a year of "obsequious silence" for his Marxist critiques of the church. In April Friar Boff was removed from editing Brazil's main progressive Catholic magazine, under apparent Vatican pressure.

Defender of the faith: but Pope John Paul cannot offer miracles to the people

Yet as the Pope has strengthened his hold on the Brazilian church and made it more conservative, the church's hold on its followers has slipped.

Church officials no longer claim 90 per cent of the Brazilian population as followers. The best estimates make 85 per cent of the population Catholic, but Dom Luciano Mendes de Almeida, head of the Brazilian Bishops Conference, says only 10 per cent are devout.

The explanation is partly to be found in Brazil's return to democracy in 1985, which brought an end to the church's function under military rule as a shelter for political dissidents.

The main reason, however, lies in what is seen as the church's failure to cater to modern social and economic needs by refusing, for example, to allow birth control. The church has also provided little succour to Brazil's growing band of unemployed, particularly those migrating to the cities.

This is partly a problem of resources. The church has 14,000 padres for a population of 152m and cannot reach into the new slum areas or far-flung reaches of the interior. By contrast, even the most remote spots on the Brazilian map have a hall belonging to a sect.

In Brazil's worsening economic crisis, with an increasing gap between rich and poor, the evangelists offer solutions for a range of problems, from unemployment to marital difficulties. According to the Rio de Janeiro-based Religious Studies Institute, 80 per cent of evangelical followers are living below the poverty line.

Dom Estevan Bittencourt, a theologist, explains: "Sects are successful because they promise miracles. For a person living in misery who feels morally lost they seem to offer a way out."

The most successful sect is the Universal Church of the Kingdom of God, claiming 5m followers. It was founded by Mr Edir Macedo, 45, a former lottery ticket vendor in Rio de Janeiro who is now a millionaire calling himself a bishop.

Mr Macedo, who is hated by the church and under police investigation for alleged connection with money laundering, owns 14 radio and two television stations and presents a daily national television programme on which he claims to have cured people of Aids and helped them find fortune. He has opened churches in Portugal, Argentina, Spain and the US.

Conservatives in the Catholic church blame the rise of the sects on a lack of spiritual education. They are pushing for more emphasis on catechism and religious information and less church involvement in social affairs, such as its campaign for land reform.

But others believe that to counter the threat the church needs to be more progressive.

Dom Luciano says: "To those without religious formation the Catholic church seems formal and cold. We need to offer people more personal contact and greater attention. Maybe we could even learn something from these sects."

In the Rio de Janeiro diocese, for example, efforts are under way to help Aids sufferers and migrants.

But Dom Estevan believes "the problem is the Catholic church can never do what the sects are doing – promising miracles – and that's what people want."

Cuba offers capitalist tradesmen a toehold

CUBA'S ruling Communist party, bending under the pressures of a worsening economic crisis, approved the idea yesterday of small tradesmen working for individual gain, Reuter reports from Havana.

The decision represents a significant concession by the island's communist rulers, who have run the economy along orthodox socialist lines.

Addressing the Communist party's congress, President Fidel Castro denied that the measures, which will affect tradesmen such as mechanics and carpenters, represented a change in economic policy. "We're not trying to promote any kind of capitalist development," he said.

Mr Castro said the initiative, which would be strictly regulated, was aimed at improving services to the population where heavy demand or deficiencies existed.

He said: "If there are people who know how to fix a screw or a plank, or bicycles or any other kind of article or equipment, we can give them the opportunity to do so."

It was not immediately clear whether small restaurants and bars would be included in the initiative.

El Salvador talks reopen

THE El Salvador government and representatives from its left-wing guerrilla opponents, the FMLN, have started a new round of peace talks in Mexico City, writes Damian Fraser in Mexico City.

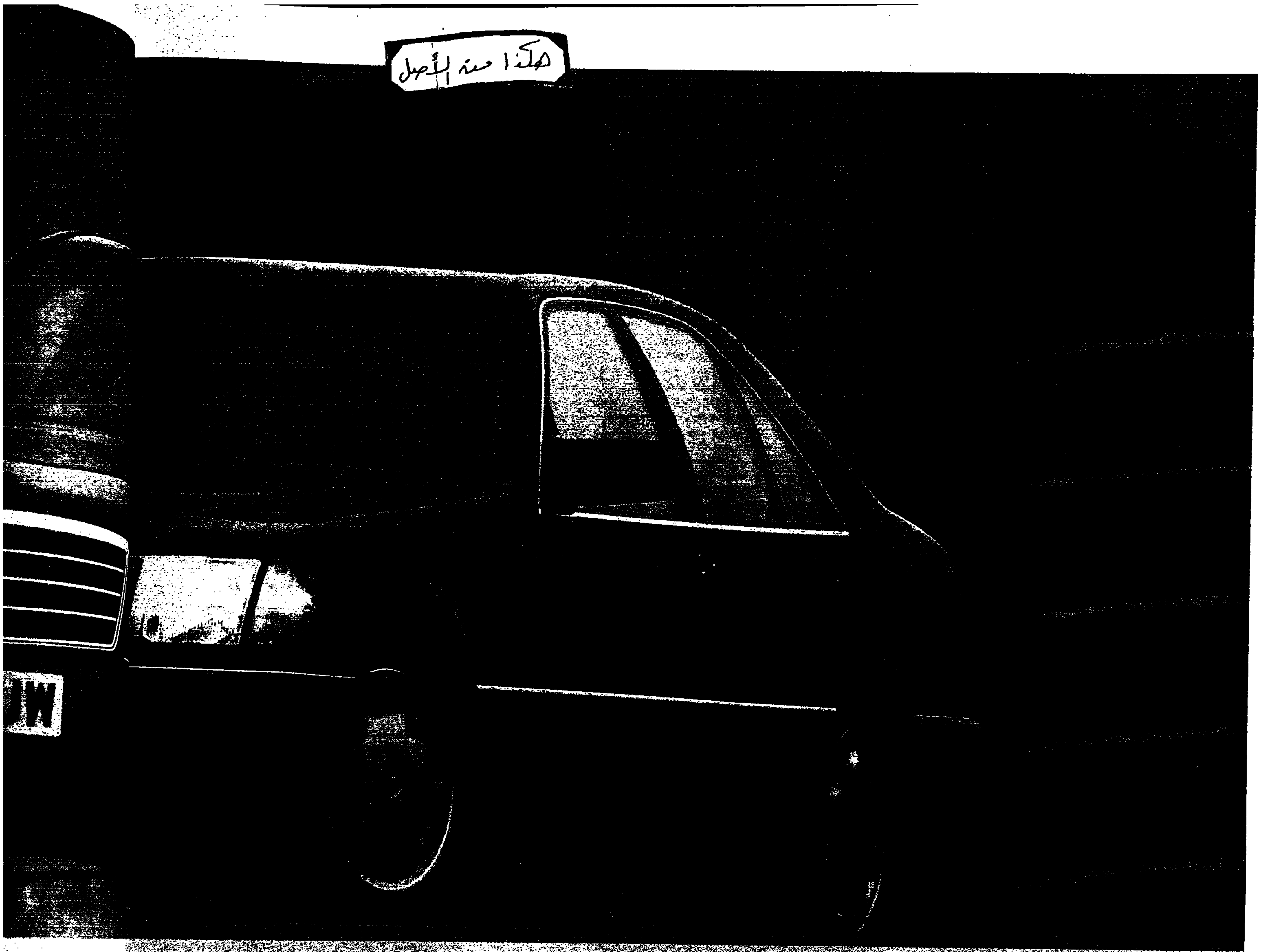
The talks are the best hope yet that the two sides will agree to end the country's 12-year-old civil war.

The negotiations follow the breakthrough accord signed in New York in September in which the government agreed to "purify" the armed forces, integrate guerrillas into a civilian-controlled police force, and give them the land they occupied during the war. The talks are expected to last 10 to 15 days.

The two sides will negotiate separately the resolution of political issues – such as land reform – and conditions for a ceasefire.

هكذا من الأصل

هكذا من الأصل

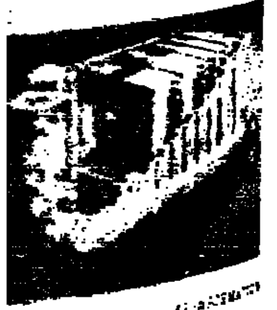


om th nventors of the car

ach is an exceptional
d manners.

NFORMATION

, in no small part, to
the management. For
el injection, ignition
ng. ABS braking and
information - 500,000



to the priorities of

ENTORS OF THE ART

t is more than half a
followed government
strictest regulations

are comprehensively exceeded by the new S-class. In particular, S-class development has deepened Mercedes' already profound knowledge of the collapsible steering column, and side-impact and offset crash protection. Now their 50-year exploration of safety-cell and crumple-zone design - concepts they invented - draws ever closer to the ideal.

DOUBLE-HINGED COLLAPSIBLE STEERING COLUMN.

The Science Of Restful Driving

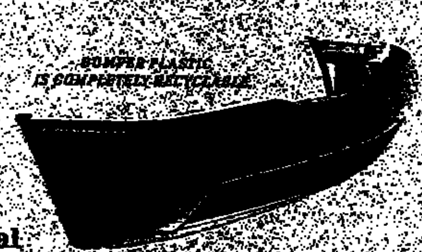
The interior calm of the driving environment - its efficiency and comfort - is enhanced by a complex new seat design, a unique wiper system that clears an unequalled 90% of the windscreen, and double-glazed side windows - so interior temperature is more easily controlled, condensation is a thing of the past, and intrusive traffic noise is greatly reduced. Interior tranquillity is also a gift of rubber-bushed subframes that isolate the engine, powertrain and road wheels, insulating you from mechanical noise and vibration.

SIDE WINDOWS ARE DOUBLE-GLAZED.

Engineered like no other car

Comprehensive Recycling, Cleaner Emissions

Recycling and environmental protection were key design priorities. Plastics received particular attention; CFCs have been virtually eliminated. Galvanising is reserved for precisely those body panels that need it (69%). In this way, scarce zinc resources are most efficiently used and conserved. The new S-class also comfortably meets international exhaust-emission limits - the V12 600SEL has the largest-volume catalyst ever fitted to a passenger car.



BUMPER PLASTIC IS COMPLETELY RECYCLABLE.

Development of a new car by the inventors of the car is a painstaking business. Exploring and judiciously adopting the outer limits of automotive technology cannot be rushed. But now, with the new S-class, the future has arrived. One day, perhaps, other cars will be this well engineered; in the meantime, the car industry itself has a new touchstone for excellence.

For fuller details, please phone 0800 300399. Or write to: Mercedes-Benz, PO Box 151, London E15 2HF.

LABOUR

Unions seek key deal with Ford

By Michael Smith, Labour Correspondent

UNIONS AT Ford broke with tradition yesterday when they began pay negotiations on behalf of 29,000 manual workers by putting in for an increase of "at least 7 per cent".

Historically, the seven unions have claimed a "substantial increase" without specifying an amount. Mr Jack Adams, lead union negotiator and a TGWU general workers' national secretary, said the claim was "realistic and reasonable". He indicated that the decision to specify a rise reflected their desire for an early settlement.

The unions also want the company to improve job security by establishing a fund to retrain and redeploy workers whose jobs are displaced by technology or short-term market fluctuations.

The plan, which draws on an agreement between Ford and the United Auto Workers union in the US last year, would be that the company would pay into the fund when overtime in plants reaches 5 per cent of normal hours.

In addition the unions want improved pensions and a two-hour cut in the 39-hour week.

The company will respond formally to the claim on October 31. Mr John Hougham, personnel director, said he would hope to conclude negotiations at a further scheduled meeting on November 14.

"We are still working away at getting 100 per cent delivery from the last agreement. No one has reneged; we always knew implementation would take time. That is where I will place my priority." Mr Hougham also indicated that he would be seeking a two-year deal.

In a 20-page document outlining the unions' case, Mr Jack Adams, TGWU national secretary, said this year's pay claim was underpinned by the inflation rate, the need to reward flexibility and productivity improvements and the need to bring members up to basic wages at Jaguar, which is owned by Ford.

Mr Adams said that when Jaguar's 7 per cent increase takes effect from next month, its production workers would earn basic pay of £240 to £242 a week, £22 and £28 more than equivalent Ford workers.

On pensions, the unions want Ford to scrap the "lower earnings limit" system by which pensionable pay is calculated on earnings above the state pension of £52 a week.

Scrapping the lower earnings limit would mean that an employee earning £225 a week with 20 years' service would receive an £18.90 rise in pension a week.

The unions also want to be represented on the management of the company's pension scheme. Mr Adams said trustees for the pension scheme were provided by Chase Manhattan Bank. The unions wanted UK-based trustees, half of whom would be union representatives.

On working hours, Mr Adams said it was high time Ford joined employers such as Rover, Rowntree and Pilkingtons in agreeing 37-hour deals.

Union leader Jack Adams makes a press conference point with the AEU's Jimmy Airlie

BCCI COLLAPSE

Tories challenged over BCCI donations

By Ralph Atkins

THE CONSERVATIVE party is being challenged to state publicly whether or not it has received donations from the collapsed Bank of Credit and Commerce International or its senior executives.

Mr Keith Vaz, Labour MP for Leicester East, has called on the Conservatives to comment on claims - so far unproven - by some depositors and staff that BCCI made donations over several years to the Tories.

With Parliament back from its summer recess the political row over BCCI is set to heighten. The all-party Treasury select committee will today resume its inquiry into the affair, taking evidence on why the bank was on the list of approved deposit holders supplied by the government to local authorities.

Revelations about BCCI donations to the Conservative party could further embarrass the government, particularly as ministers are under pressure to explain precisely how much was known about fraud at the bank and at what stage.

Mr Vas has tabled a series of parliamentary questions to ministers on BCCI and the inquiry into the affair under Lord Justice Bingham.

However Conservative Central Office showed no sign of waving from its usual policy of refusing to confirm of deny the source of contributions. "We don't comment on donations to the Conservative party and we cannot comment on Mr Vaz's letter until we have received it," said a spokesman.

Conservatives are already under pressure from Labour for more information about party finances following reports of large individual private donations made by Mr John Latsis, a Greek shipping magnate, and Mr Asil Nadir, chairman of Polly Peck International, the collapsed electronics to fruit conglomerate.

Mr Vaz, in a letter to Mr Chris Patten, Conservative party chairman, said: "At a recent meeting of depositors and staff of BCCI it was alleged that over the last few years the Conservative party has received donations from BCCI.

"I would be grateful it you would clarify the position as to whether your party did or did not receive donations from the BCCI or its senior executives."

BRITAIN IN BRIEF

Trade credit arm sale set for December

The sale of the Insurance Services Group (ISG), the short-term trade credit insurance arm of the Export Credit Guarantee Department, is now set to go ahead in early December.

Mr Peter Lilley, the trade secretary, announced in July that the preferred purchaser would be the Dutch company NCM, but the government were unable to complete the legislation before parliament dispersed for the summer.

Nederlandsche Credietverzekering Maatschappij is the fourth biggest trade credit insurer in the world.

Ofgas threat to British Gas

Ofgas, the UK gas industry watchdog, threatened to take British Gas to the Monopolies and Mergers Commission (MMC) because it fears the gas company is backing out of an agreement on domestic gas prices and service standards settled in April with the regulator.

The Ofgas warning came after British Gas contacted its director, Mr James McKinnon, on Friday, saying it was reviewing the agreement, which limits gas price increases to below the rate of inflation for five years.

This move by British Gas, was prompted by the publication of a report from the Office of Fair Trading (OFT), which said that the British Gas monopoly on supplying domestic customers must end.

British Gas apparently believed that this, and a second OFT recommendation that its pipeline and storage facilities be hived off as a separate company could threaten its profitability, making its existing agreement with Ofgas unworkable.

Number plate 'farce' attacked

The annual change of car number plate prefix on August 1 each year has become "the most incredible farce ever devised by a mature industrial country" according to an analysis published by motor trade monitoring group Sewells International.

The government's policy to retain the system is costing dealers £375m a year and manufacturers up to £1bn annually, according to the report, which was prepared jointly with the Cardiff Business School.

Blue Arrow defence opens

Mr Jonathan Cohen, the former chief executive of County NatWest and one of the defendants in the Blue Arrow fraud trial, will take the witness box to give evidence, his barrister told the court yesterday.

At least one other witness will also be called to give evidence on Mr Cohen's behalf, Mr Jeremy Roberts QC said.

Mr Cohen, who along with four other City advisers is charged with conspiring to mislead the markets over the result of the 1987 Blue Arrow rights issue, is expected to give his evidence towards the end of this week.

In an opening speech presenting the first defence evidence in the trial, Mr Roberts said the confidential buying of holdings in the issue by the advisers from County and Phillips & Drew was an honest manoeuvre which those involved were perfectly entitled to carry out.

Mr Cohen, Mr David Reed, a former County director, Mr Nicholas Wells, another former County director, Mr Martin Gibbes and Mr Christopher Stainforth, both former P&D directors all deny conspiring to mislead the markets over the result of the issue. The trial continues today.

US silicone investment

Dow Corning is to spend £150m to double capacity at its silicones plant at Barry in south Wales, making it one of the biggest silicone works in the world.

The investment, one of the largest undertaken in Britain this year, will add 100 workers to the company's present workforce of 450 when it comes on stream in 1995. When Toyota chose Shotton in north Wales for its engine plant two years ago the cost was put at £140m.

The American company, jointly owned by Dow Chemical and Corning Glass, chose Barry after considering sites in Carrollton, Kentucky, and the Far East.

MP pay row expected

MPs are to get a 6.5 per cent pay rise in January, taking their salaries from £28,970 to just over £30,850.

The increase is set to provoke the sort of political row that linking MPs' pay to senior civil service salaries was intended to avoid.

In addition, the future of the linkage itself is threatened by government moves to break the national pay bargaining agreements with the Whitehall unions, and replace them with greater freedom for individual agencies and departments to make their own arrangements.

Statistics post still vacant

Efforts to find a new, high-profile head of the government's Central Statistical Office have suffered a setback, after five of Britain's leading private-sector economists turned down approaches over the job.

A government panel is meeting soon, possibly this week, to consider a shortlist of candidates for the post, which becomes vacant early next year. The head of the CSO will be asked to make the economic statistics collected and disseminated by the CSO more accurate and less subject to revisions, as well as increasing their relevance to the commercial world.

Cheap homes flood market

Large numbers of low-priced homes, repossessed by building societies and banks, are flooding onto the housing market, preventing a recovery according to a survey of English and Welsh estate agents published today.

A third of agents questioned by the Royal Institution of Chartered Surveyors said that prices had continued to fall during the the three months to the end of September.

Almost all of the remainder said that prices had remained static during the summer. Less than one per cent reported price increases.

The institution said that the number of forced sales and repossessions had risen sharply as a result of high interest rates and the recession.

Rail fares to rise 8%

British Rail will today announce controversial new fare rises from January expected to average about 8 per cent or nearly double the inflation rate currently running at 4.1 per cent. But charges on poorer routes are expected to be held down below those originally sought by BR as a consequence of a personal intervention by the prime minister.

Guinness trial: 'loss protected'

A former New York investment banker yesterday recalled being asked by Mr Roger Seelig to buy Guinness shares during the 1986 takeover battle for Distillers on the basis that his bank would be protected against loss.

Mr Francois Mayer, then co-chief operating officer at L.F.Rothschild, said that in early April 1986 Mr Seelig, then with Morgan Grenfell, Guinness's principal merchant banker, had said it would be helpful to Morgan Grenfell if LFR were to buy up to £25m of Guinness shares.

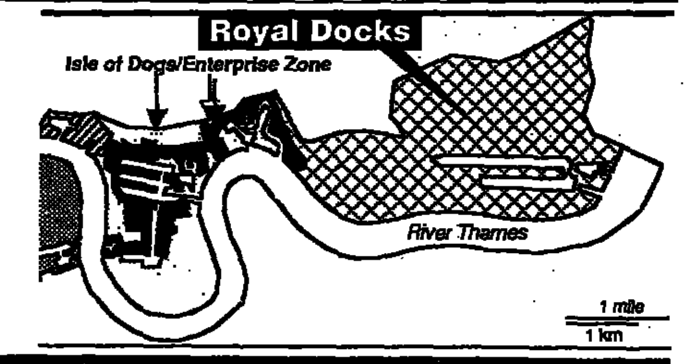
LFR had agreed to buy up to £20m shares on the understanding it would protected against loss and that if there were any disclosure obligation Morgan Grenfell would deal with it, Mr Mayer said.

He was giving evidence in the trial in which Mr Seelig and Lord Spens, former corporate finance managing director at the Henry Ansbacher merchant bank, are jointly charged with conspiring to contravene the 1958 Prevention of Fraud (Investments) Act. Mr Seelig faces another charge under that act and two of false accounting. Lord Spens faces one false accounting charge. Both plead not guilty.

Cross-examined by Mr Seelig, defending himself, Mr Mayer agreed there had been no obligation on LFR to buy Guinness shares. He also agreed that the prospect of future business arrangements with Morgan Grenfell had been more important to LFR than making a profit on the shares.

London drifts down river on the Channel tunnel tide

Vanessa Houlder looks at the implications for the capital of the decision to route the rail link to France north of the Thames



LAST WEEK'S announcement of an east London route for the Channel tunnel rail link and a study into development in the east Thames corridor gave a new impetus to the government's attempts to shift London eastwards.

In Docklands, the eight square miles of water, dereliction and development that have been the focus of the government's efforts so far, the decisions had a symbolic rather than an immediate importance.

Docklands will gain in the long term from new housing and from infrastructure improvements. Direct benefits, such as a passenger terminal at Stratford linked to the Isle of Dogs by Underground, are years away.

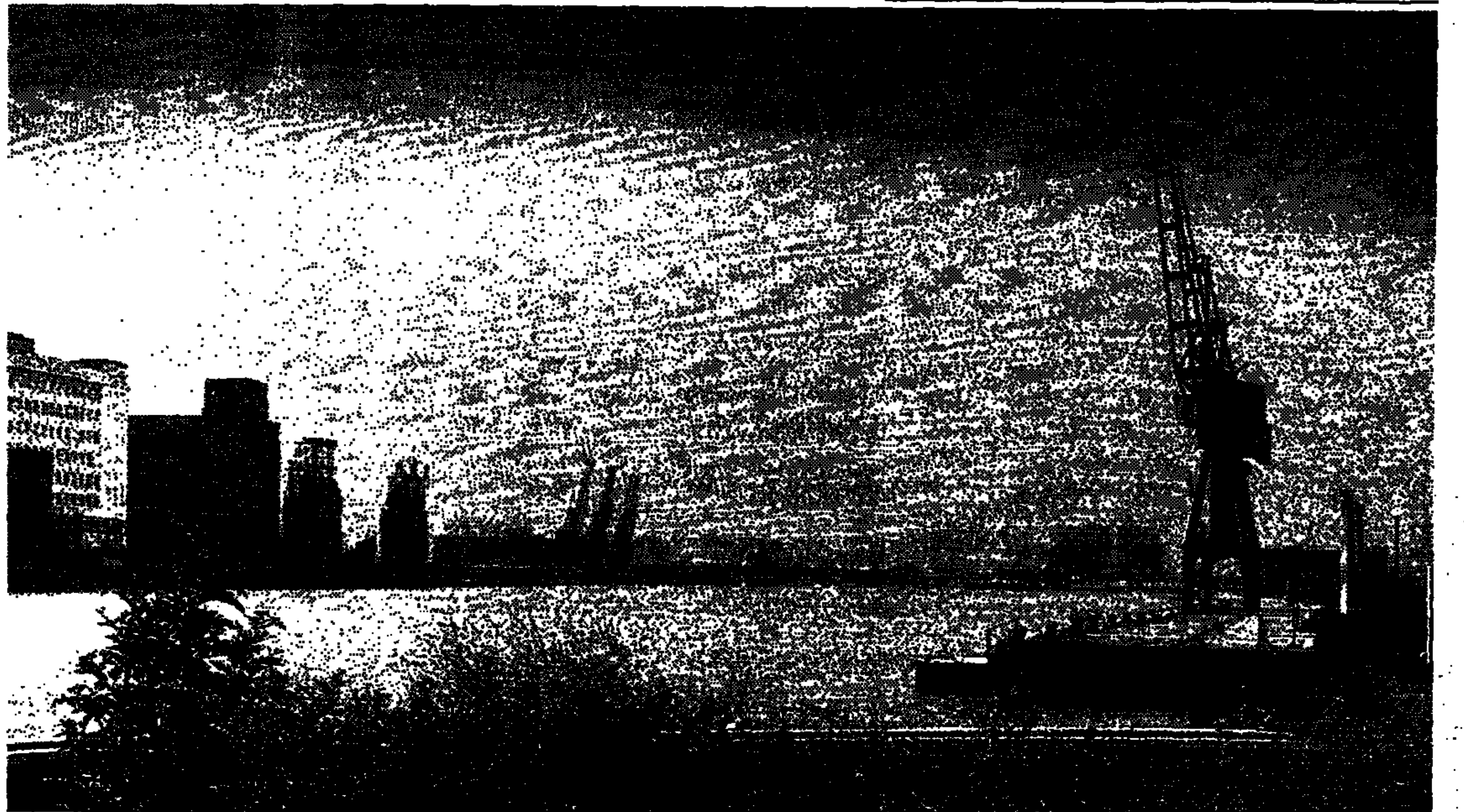
Of more direct importance was last month's decision to allow quiet jets to use the City airport and to build the £75m east London river crossing near the City airport.

The decision about the river crossing was crucial for Docklands, where development has reached a turning point. After nearly 10 years, the Isle of Dogs, the terrain at the heart of the area administered by the London Docklands Development Corporation, will lose its enterprise-zone status. That will leave a question mark over future development. The recession hit Docklands harder and sooner than other regions, and it may prove to be more prolonged there than in other parts of the country.

At the same time, Canary Wharf, the glittering centrepiece of Docklands, is about to open its doors to its first large tenant: Morgan Stanley, the US investment bank. Morgan Stanley's experience will greatly affect the success of the venture, which has been troubled by poor transport links.

The development corporation, the government-funded body charged with regenerating the area, views its task with apparent enthusiasm.

It has just launched a marketing campaign for the remaining 10 per cent of sites on the Isle of Dogs enterprise zone. Its efforts are complicated by the imminent expiry of enterprise-zone status. After April next year, developers will not be able to claim tax breaks on new buildings. Businesses in the area will have to start paying uniform business rates, probably of between £6 and £8 a square foot.



On the water front: view looking west over Victoria Dock towards Canary Wharf and Docklands. Further upstream is the City of London. *Picture Ashley Ashwood*

The development corporation is also trying to promote redevelopment of the 667-acre Royal Docks, one river-bend east of the Isle of Dogs.

The evolution of Docklands is moving into its third phase, according to Mr Peter Turlik, the corporation's director of strategic affairs.

The first phase was stimulated by the dispersal of newspaper plants from central London, while the second was spawned by the deregulation and expansion of the financial services industry.

He hopes the third phase will be stimulated by a surge of businesses that want to locate within the European Community because of the erosion of trade barriers. He says Docklands will be able to exploit that trend as the expansion of the City airport will create a gateway to the rest of Europe.

The corporation insists that it should push ahead with development of the Royal Docks. "The Docklands missed the last property boom in the 1970s because no one had the vision to look at it as an opportunity," Mr Turlik says.

His enthusiasm does not meet universal approval. "Their policy of selling off sites on Royal Docks is a lost cause," says an agent who has closely followed the Dockland's boom and bust of the past few years.

He is sceptical about the appetite of cash-starved developers for launching schemes in the Royal Docks.

Negotiations are continuing with John Laing, the construction company, and Vom, the Dutch insurer, for a £100m Londondome arena in the Royal Victoria Docks, financed by the Japanese companies Shimizu and Sumitomo.

However, the Conran Roche mixed housing development and Rosehaugh Stanhope's retail, office and residential schemes have fallen through as a result of the property recession.

The corporation's critics think it should devote its energies to improving the appearance and transport facilities of the Isle of Dogs.

The shortcomings of the transport system were brought home when tenants started to move into Canary Wharf. They found the light railway, which links much of Docklands to the City, unexpectedly closed for engineering works.

The corporation is now adamant that it is "over the hump" with transport difficulties.

It promises that most of the roads will be finished next year. The Lower Lea Crossing, which will connect the Isle of Dogs and Royal Docks, will be completed early next year. The Beckton extension of the Docklands Light Railway, in the north of the corporation's area, will be finished at the end of 1992.

The importance of improving transport is not overlooked by Mr Michael Pickard, the former Sears chief executive who has just been appointed chairman-designate of the corporation. "Unless people can get there, they can't work there," he says.

Mr Pickard, who describes his appointment as "a tough assignment", will join the corporation in a period of upheaval. "A lot of the visionary work has been done," he says. "The issue is to make it fly."

Mr Eric Sorensen, a civil servant at the Department of the Environment, was drafted in as chief executive in February. He saw his task as establishing better relations with his department and raising the quality of the local environment.

The new management's task is not only to improve the running of the corporation, but also to prepare for its abolition. That will probably be in 1996, or sooner if Labour wins the next election.

Even those well disposed to the area believe that only then will Docklands have started to prove itself. The time it will take to shift the centre of London's gravity eastwards should be measured in decades, not years.

In brief...

■ Livewire, a nationwide scheme to help young people become self-employed or develop an embryonic business, has launched a management development programme for those with more established small businesses.

Livewire's Business Growth Challenge aims to provide 250 owner-managers with personal and management development training this year.

It is aimed at people employing up to four staff who have been trading for less than three years.

The centrepiece of each course is a residential training weekend.

Places on the scheme, which is sponsored by Shell UK and local Training and Enterprise Councils, are free.

Contact Livewire, 60 Grainger Street, Newcastle upon Tyne NE1 5JG. Tel 091 261 5584.

■ Inspiring and Rewarding Staff is the subject of an afternoon seminar arranged by accountants Finnie & Co to be held in London on October 23.

Speakers will consider issues including share option schemes for key staff, members, profit-linked pay for staff in general and building management teams.

Contact Finnies, Kreston House, 8 Gate Street, London WC2A 3HJ. Tel 071 831 9100. Free.

■ The leaders of both high and low-growth businesses have similar levels of motivation and operate in markets showing similar growth but chief executives of the high-flyers are significantly better educated, better trained and have more management experience.

These were among the conclusions of a survey* of 169 limited companies set up in 1980-82 carried out by Donald MacRae, a senior manager with TSB, the banking group.

High-growth managers also place more emphasis on people management and on management structure.

In comparison with the chief executives of low-growth firms they pay greater attention to entering non-UK markets and to the actions of their competitors.

**Characteristics of High and Low Growth Small & Medium-Sized Businesses. Tel 031 225 4555.*

Telecommunications equipment

Putting your finger on the right button

By Charles Batchelor

When Peter Bridgeman established his own accountancy practice he ran into unexpected problems with his telephones. He had taken over an existing accountancy firm in the small Dorset town of Sturminster Newton and transferred the business across the road to his new office.

Bridgeman wanted to take the telephone system with him but was unable to establish whether the system had been bought or rented. BT, formerly British Telecom, said the system was rented so Bridgeman bought a new one, only to find after it had been installed that the old system had belonged to him.

Bridgeman says that BT then changed its tale to claim that the system was an old one which it no longer maintained. But a telephone call to Oftel, the telephone users' watchdog, established the system was still current.

BT explains that the reason it would not transfer the old system was that Bridgeman had no written proof that it belonged to him while it says it has no record of any query from Oftel about the the system Bridgeman left behind. Bridgeman counters this by saying his purchase of the old practice also included all its equipment while his query to Oftel was made and was answered on the phone.

Once the system had been installed, Bridgeman found that while his exchange was compatible with the Mercury system, which offers cheaper long-distance and international calls, his staff often did not know whether to route calls via Mercury or BT. Systems do exist, however, which will automatically choose the most cost-effective route.

Bridgeman's difficulties illustrate the problems that many small firms have in choosing and managing their telephone systems. The break-up of the old British Telecom monopoly has brought benefits in the form of greater choice, the freedom to buy instead of rent, and in some areas lower charges – but at the same time subscribers are now faced with a bewildering choice of systems and tariffs.

While large companies may have information technology specialists who can advise on the best system, the small firm usually lacks this expertise, says Peter Ryde, manager of Mercury's small business division.

Telephone equipment is now available from a growing band of dealers and installers, some authorised by Mercury or BT, while others are not. With British Rail, cable TV companies and other commercial groups lining up to provide telephone services within the next few years, prices are expected to fall further but the picture is likely to become even more confused, says Geoff Allen, managing director of Business Telecom Centres, a Poole, Dorset-based dealer.

BT says it is making efforts to become more responsive to its business customers – it recently split BT UK into two divisions dealing with personal and business customers – and it is attempting to improve the quality of advice to end-customers and to dealers. But many customers feel it still remains an unwieldy giant.

Small business buyers of telecom equipment should be wary of:

● Claims that equipment is Mercury-compatible. Telephones may incorporate a memory button which allows the Mercury number to be encoded. But if large numbers of staff will be using it, the system should allow for automatic routing by the cheapest network, says Steve Gordon, a product manager at Business Telecom Centres.

If staff route local calls through Mercury by mistake they will be paying more than if they had used a BT line. The increasing complexity of tariffs, which allow customers to juggle rental charges against call charges depending on their pattern of telephoning, may also require "smart" telephone technology to make the best use of the tariff systems.

Businesses are also advised to check that they are in an area served by Mercury. Parts of north Wales, Devon, Cornwall, northern England and Kent have yet to be wired for Mercury though this has not stopped some unscrupulous dealers selling Mercury systems. Would-be Mercury subscribers should call Freefone 0800 424194 to see if their area is covered.

● Paying for equipment they do not need. Some telephone systems can be converted to Mercury by means of a simple upgrade "chip" while others require a "smart box" costing between £800 and £2,400 for between five and 20 lines. Single lines can be upgraded by means of a smart socket costing around £100. Telephone users should check that their system really needs a "smart box," Mercury advises.

● Buying an outdated system which does not give access to the latest services. Analogue systems are still on sale, often at very attractive prices but they do not allow users to make use of the latest features such as high speed colour faxes and video phones which are coming into service. Users must ask whether they can get all the features they need from an analogue system or whether they need the more modern digital system.

If the business's needs are limited and it plans to replace the telephone system within a few years anyway a cheaper analogue system may give all it needs. Otherwise it should opt for a phone which is compatible with what is known as ISDN - the integrated service digital network.

● Paying for lines and extensions which are no longer in use. Toomer & Hayter, a Poole-based supplier of marine upholstery, found it had been paying for a line installed to a mobile office which it had used while its main offices were being re-roofed.

Vivien West, a director, says BT agreed to refund three years' rental although the company paid for the non-existent line for six or seven years.

Peter Bridgeman: moved to offices across the road but the telephone did not come too

BT says customers have in the past paid for "ghost" lines but the computerisation of its records now means this should not happen. There have been instances where BT itself has pointed out to customers that they were paying for a non-existent line, a spokesman said.

● Paying for a system which has not been correctly installed. Users should check that newly installed lines are what they ordered. Gullivers Travels', an Eastleigh, Hampshire, travel agency says it paid for the installation of a four-line system but later discovered that only two lines were working. It is still in dispute with the installation company, says Sarah Gardiner, managing director.

● Choosing a payment system which does not suit their needs. Users should compare the cost and cash-flow implications of buying equipment as against leasing or renting. Renting has become more popular in the current recession because it is less of a cash drain than buying and can be more flexible than leasing. Most rental agreements can be renewed annually compared with leasing agreements which can run for several years.

Rental can also give the customer a closer relationship with the supplier, says Mercury's Peter Ryde.

This means the supplier can less easily duck out of his obligations to maintain the system than if it were leased.

In general, the experts suggest, customers are more likely to get a better service if they think through their telephone requirements and explain them carefully to the dealer or installer. They should also shop around taking into account the supplier's ability to service a system as well as the price.

Purchasers may also wish to choose a dealer or installer from the lists of authorised dealers maintained by the large manufacturers or from among the 650-plus members (equipment and service suppliers) of the Telecommunications Industry Association. Finally, if things go wrong subscribers can complain to the Office of Telecommunications (Oftel) which follows up complaints. Oftel recently established a small business committee to advise its officials on the needs of small firms.

Contact: Telecommunications Industry Association. Tel 071 351 7115; Oftel, Export House, 50 Ludgate Hill, London EC4M 7JJ. Tel. 071 822 1600.

Useful reading: What to Buy for Business. Monthly reports on business equipment including telephones, answering machines, cellular phones. Quadrant House, The Quadrant, Sutton, Surrey SM2 5AS. Tel 081 661 8700; The BT Business Catalogue. 126 pages. Free. Tel 0800 800 878; Does Your Business Need a New Telephone System? From Oftel. Free.

Sitting pretty on quality standards

By Charles Batchelor

Efforts to harmonise quality standards in Europe will have important implications for businesses throughout the continent. Businesses which fail to meet agreed standards may find themselves squeezed out of markets while those which are able to stick the quality labels on their products could win a significant market advantage.

As a first step towards harmonising quality testing and labelling in the furniture industry, associations from 12 European countries last week announced the launch of the European Association of Research Institutes for Furniture (Eurifi). The aim of the association is to ensure that national testing procedures and quality labels on furniture will be acceptable in all other Eurifi member countries.

A two-day conference on Quality and Certification in the European Furniture Industry, held earlier this month in Udine, Italy, revealed just how fragmented quality labelling in this particular industry is. The same is true of many other industry sectors in Europe.

For small businesses which cannot afford large marketing budgets, the quality labels which are awarded by industry-based research and testing institutes and by national standards organisations such as the British Standards Institution (BSI) could provide an important marketing boost.

European standards institutes, grouped in the European Committee for Standardisation (CEN), are working on the harmonisation of quality standards. But even when basic standards have been laid down, the job of testing to see whether products meet the standards and the issuing of certificates as proof of quality will still fall to national quality and industry associations.

It is unlikely, though, in the short term that Eurifi's efforts will lead on to the creation of a single European testing and labelling system, says Colin Aitkenhead, chief executive of the UK Furniture Industry Research Association (FIRA).

Members of the association include FIRA; Catas, the Italian association based in Udine, the centre of Italy's chair-making industry; CTBA, its French counterpart; and the Möbelinstitutet of Sweden. Germany, Portugal and Denmark are also represented while Spain's AIDIMA holds the chairmanship for the first year.

Cross-border co-operation on labelling is furthest advanced in the Nordic countries where the möbelfakta label is available for 15 categories of furniture.

In the UK FIRA has introduced two quality labels, the First from FIRA and the FIRA Gold Award.

France's technical centre for the wood and furniture industry, the CTBA, has introduced its NF (Norme Française) label incorporating several grades.

Germany has a wealth of quality standards applicable to furniture and other products.

Quality labels should help a business promote its products but they are not a cost-free option. FIRA's Colin Aitkenhead estimates the cost of testing a chair to FIRA's Gold standard at £5,000-£6,000. MFI, the large UK retailer which had a poor reputation for quality, has commissioned FIRA to test and certificate all its new ranges but the cost is frequently prohibitive for the smaller firm.

In addition, the national industry associations depend to varying degrees on public finance and on subscriptions from their members. FIRA, which receives no automatic government funding (though it does receive project finance), has seen its revenues hit by the recession in the UK furniture industry. Commercial pressures like these reduce the ability of industry research organisations to promote their labelling schemes and reduce their effectiveness in the eyes of the consumer.

But if standards can be harmonised and the industry associations can promote their quality schemes, quality labelling is one way for the smaller firm, which may not be well known, to inspire consumer confidence in its products.

Contact Eurifi, c/o Aidima, Valencia Parc Tecnologic, Calle 3C, Apartado Correos 50, 46980 Paterna, Valencia, Spain. Tel 96 131 80 01; FIRA, Maxwell Road, Stevenage, Herts SG1 2EW. Tel. 0438 313433.

BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

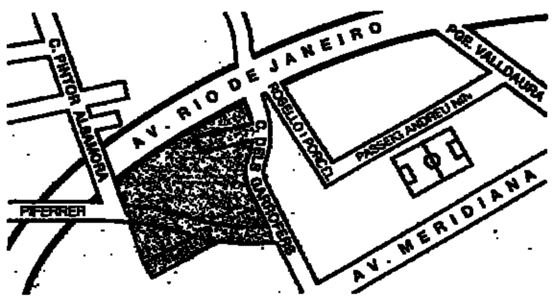
Barcelona: it's spelt with a "B" for Business.

It's time to invest in Barcelona. Because the city, for the Olympics of 92 don't think of them as just a means to an end. But also as the begining of a stage of development that will benefit the whole city and for those who invest in her.

There is now a pitch for a new phase in the project of new areas of centralization of the Ayuntamiento of Barcelona. (Barcelona Town Hall).

This pitch will give the rights for building and exploting on a lease of the Area Renfe-Meridiana. A project that, between 92 and 94 will turn a surface of 83.000 m² in a new centre of the city. With 2.500 m² of public facilities, 14.000 m² of residential buildings, 30.000 m² of offices, 32.000 m² of commercial areas, and 4.500 m² split between cinemas, theatres, forums for presentations and expositions.

The town hall of Barcelona (Ayuntamiento de Barcelona) is working on decentralizing the city, creating new services centres, modernizing to make of her a better place to live and of this we will all benefit.



New central area Renfe-Meridiana.
Ajuntament de Barcelona, Secretaria Executiva de l'Àmbit d'Urbanisme.
Pça. Lesseps 12, 11ª planta. 08012 BARCELONA, España.

Ajuntament de Barcelona

The BEST Way To Predict The Future Is To Create It Yourself!™

The Best Franchising Company In The World, Inc., an International company headquartered in the U.S.A., has two (2) outstanding opportunities for dynamic Marketing Executives or organizations to acquire Master Franchise Licenses in the United Kingdom for The BEST Instant Sign Company... a fully computerized retail sign store concept.

WE HAVE DONE FOR THE MULTI-BILLION DOLLAR SIGN INDUSTRY WHAT INSTANT PRINTING DID FOR THE PRINT INDUSTRY!!!

Simply put, our franchise makes purchasing commercial-quality signs and banners as fast, easy, convenient and affordable as purchasing business cards.

ABSOLUTELY NO SIGN, COMPUTER OR ARTISTIC ABILITY IS REQUIRED WHATSOEVER!

An initial investment of approximately £150,000 is required to obtain the Master Franchise Rights for each of our two (2) Master License Territories in the UK. Included in this investment is all the equipment, fixtures and inventory necessary to establish a model franchise operation and training centre. Also included is a very extensive and comprehensive training program at our International Headquarters in Fort Lauderdale, Florida, on all aspects of Franchise Sales, training and on-going support. This is followed up with hands-on assistance with actual Franchise Sales and development programs in United Kingdom.

There will be only two Master Franchise Licenses offered in the UK for the BEST Franchise concept ever!

The principals of The Best Franchising Company In The World will be in the UK from 15 October through to 3 November, to meet with qualified, interested parties.

Are you the BEST? Are you ready to create your future? If so, please contact:

THE BEST INSTANT SIGN COMPANY™

Orville Wright, President
THE BEST FRANCHISING COMPANY IN THE WORLD, INC.
Westbury Hotel, London
Phone (71) 629-7755 (15-16 October)
Albany Hotel, Birmingham
Phone (21) 643-8171 (17-21 October)
International Headquarters
Fort Lauderdale, Florida
Phone (305) 566-7446 • Fax (305) 566-7423

© THE BEST FRANCHISING COMPANY IN THE WORLD, INC.

I believe I have found a perfect business with an international company who offer:

1. A genuine marketing opportunity, 2. Unique products, 3. Immediate cash flow, repeat business, 4. Full training and ongoing support, 5. Can be run alongside an existing business, 6. An enormous income potential for a modest outlay.

You owe it to yourself to take a look at this opportunity, for further information telephone Tom Murray on 071 823 8800

Engineering Partnership?

High quality precision engineering company in Herts seeks vertical integration to mutual benefit. Low cost and unborrowed, we wish to broaden base for further expansion and would be pleased to hear from like minded principals.
Write Box H9106, Financial Times, One Southwark Bridge, LONDON, SE1 9HL

GULF TRADE

In August U.K. Exports to the Middle East were worth over £500m. With over 20 years experience in the area we can help your company to increase its market share.
Telefax - 0384 296 780/
Telex 333198.

ON ADMINISTRATIVE RECEIVERS INSTRUCTIONS

NEW MALDEN

2 Freehold Office Buildings 14,000 sq.ft. in total

SURREY

£1.875 MILLION (S.T.C.)

For further details call:
081-941 8462 or 081-390 3511

QUALITY ISLINGTON (Must See)

Well equipped offices approx 800-1600 sq ft (1 or 2 floors). Short or long term.

Call John Mayhew on 071 837 0012

PUBLISHING SOUTHERN SPAIN

Southern Spain edition of general interest weekly aimed at English-speaking expatriates etc. Excellent potential for expansion. Local journalistic, printing, publishing expertise already in place. Principals only, wishing to explore possibility of joint venture participation, please write to: Box H9061, Financial Times One Southwark Bridge, London SE1 9HL

AGENT NEEDED

U.S. Company with 18 years experience seeks exclusive association with placement agent or broker to continue developing a natural gas field.
For Brochure:
Fax: 816-233-7787
Sandstone Resources, Inc.
St. Joseph, Missouri USA

NURSING/REST HOMES

Business and Financial Management Services for Nursing and Residential Care Homes.
PROJECT CARE (MANAGEMENT) LTD
Colonnade House, High St, Worthing.
Telephone 0903 821020 Fax 0903 821194

CHANNEL ISLANDS

Offshore Company Formation and Administration. Also Liberia, Panama & BVI etc Total offshore facilities and services.
For details and appointment write:
Croy Trust Ltd., Belmont House, 2-6 Belmont Rd, St Helier, Jersey, C.I.
Tel: 0534 78774, Fax: 0534 35401
Tlx 4192227 COFORM C

MORTGAGES

On Commercial & Industrial Properties at prime rates 5/10 years. Interest only. Minimum loan £500,000.

Apply to: HIRSCH Europe's leading Finance Consultants
HIRSCH INT (Financial Services) LTD
Appleby House, 46 St James's Place, London SW1A 1PA
Tel: 071-629 6051 Fax: 071-409 0419

BUSINESS IN DIFFICULTY? Funding plus fast, professional help available from a team of experts. Please ring City and Industrial Securities PLC on 071-402 4200.

MIDLAND BANK SHARE REGISTER REQUIRED Must not be more than 12 months old. Will pay up to £1,000. Phone 0706 734017 or 081 559 9224.

BUSINESSES FOR SALE

WILLIAM HILLARY

M27 6 miles Southampton 8 miles

HAMPSHIRE

ESTABLISHED 18 HOLE GOLF COURSE

FOR SALE FREEHOLD

WITH PLANNING PERMISSION FOR 53 BEDROOM HOTEL OR 32 SUITES PLUS POTENTIAL TO EXPAND TO 27 HOLES

Colour brochure from:
WILLIAM HILLARY & COMPANY
CLOSE GATE HOUSE
47 HIGH STREET SALISBURY WILTSHIRE SP1 2QF
TEL: 0722 327101 FAX: 0722 411803

LEISURE AND HOTELS

By Order of Lombard North Central Plc
Re: Ford Sellar Morris Properties Plc — In Receivership
4-6 Savile Row, London W1

HIGH QUALITY ESTEL, VITRE & MARCARTRE OFFICE FURNITURE

including
7.5 metre Maple Boardroom Table & 22 Leather Armchairs
Walnut bur Workstations & Meetings Tables, Matching Chairs, Sofas, Fax, Kitchen Equipment etc.

FOR SALE

Further details from Tony Costigan

ES&P
EDWARD SYMMONS & PARTNERS
Surety House, Old Redbridge Road, Southampton SO1 0NE
Fax: 0703 779010
LONDON · MANCHESTER · LIVERPOOL · BRISTOL · SOUTHAMPTON

Tel: 0703 779778

CANADA

CHEMICAL DISTRIBUTION COMPANY FOR SALE AS GOING CONCERN OR ASSETS ONLY

* Location 35 miles North of Toronto Ontario.
* 4.5 acres industrially designated land.
* Adjacent to major highway junction.
* Canadian National Railway siding and services.
* 168,000 gallons above ground tank farm.
* Drumming blending and packaging facilities.
* 24,000 square. ft. office and warehouse accommodation.
* Extensive automotive equipment.
* Regional distributorship with international trade division.
* Sales 1988, 89, 90 in excess of C$ 7 million.
* Due to recession current operational results negative.

Ideal investment for chemical related companies with the ability to complement the current product range of alcohols, solvents, acids etc and looking for a North American presence to take advantage of the Canada/USA Trade agreement.

For further information please contact:
Matt Kunheim
Commodity Trading (Canada) Ltd
44 Gray's Inn Road
London WC1X 8LR
Telephone NR: 071 831 0816
Fax NR: 071 404 0227
Telex NR: 21468 'COLINT' G.

FOR SALE

PRECISION SHEETMETAL ENGINEERS
- West London -

* Owner retiring
* 1990/91 turnover - £1.1 million
* Wide customer base with many "Blue Chips"
* Superb - well located leasehold premises, 12,250 sq.ft.
* Healthy order book
* Excellent plant and equipment
* Skilled workforce, good reputation for quality and reliability
* "Niche" activity
* Scope for considerable expansion with available capacity

L C A Newitt/Mrs D A Rudge
Business Brokerage Division
Brownlow House
50/51 High Holborn
London WC1V 6EG
Tel: 071 405 8411, Fax: 071 405 9772
Tlx: 897377

HENRY BUTCHER

On instructions of the Administrative Receivers J S Wheatley and P Ramsbottom

THE ANGEL HOTEL LEAMINGTON SPA

Fully licensed 2 star hotel
*
Prime town centre location
*
Excellent bar, restaurant and conference facilities
*
36 letting bedrooms (34 en suite)
*
Draft accounts show £98,876 operating profits on net T/O £539,241 (1990)

OFFER INVITED FOR THE FREEHOLD HOTEL COMPLETE

ROBERT BARRY & Co

TEL: (0285) 641642

FOR SALE

1) Non-ferrous metal stockholder. T/O £1.5M
Well established profitable firm. Freehold. Excellent growth prospects. Superb location.

2) Injection moulder. T/O £2.2M. 50% own product.
Established client base & good profit record.

Tel: 0273 465304 Ref: RJ9

COMPUTER HAULAGE/COURIER SERVICE

Successful haulage/courier service in computer spares and terminals. Activities cover delivery, warehousing and breaking bulk. Very high profit margins, trading profit circa £160,000, located in Home Counties.
Write to Chesterton Securities Ltd., 1 Pudding Lane, London EC3R 8AB

Highly Profitable

pet shops in S. London t/o £300,000 p.a. Rent £17,000 p.a. 13 year lease. Quick Sell £140,000. Stock at value. Principals only + phone evenings only.

Tel: 081-420 6491

OFFICE FURNITURE MANUFACTURE

For sale as going concern the business and assets of a manufacturer of High Quality Office Furniture. The desking systems have been certificated to BS4875 Part 5, Level 4, using a patented M.D.F. cantilever leg frame. Negligible customer base due to re-organisation and development.

* Modern freehold unit 26,500 sq.ft. (location - Durham) 325k
* Plant and equipment including C.N.C. Routes - 1982/90 95k
* Tax losses available 500k.

Principals only Write Box H9123, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

PROMOTIONAL DESIGN COMPANY

Presently a non-core operation of a large multi-national Group, this Company specialises in corporate promotional literature, conference and exhibition design, press and public relations and graphic design. Turnover circa £500K pa. Accommodation lease due for renewal 1992 but relocation possible. Present location NW.
Write Box H9114, Financial Times, One Southwark Bridge, London SE1 9HL

Established Legal Services/International Consultancy Firm (London Based)

Positive cash flow. Excellent reputation. Full accounts and bank reference available. T/O £500k with high profit ratio. Ideal for acquisition by experienced businessman, legal or accountancy firm. Present senior director taking early retirement. Price £500k.
Principals only write Box H9120, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE COMMERCIAL AND RETAIL STATIONERY BUSINESS

Central London showroom, offices and warehousing 2,600 sq ft at £12,000 pa.
Established business, includes greetings cards, current turnover £200,000 pa.
price £75,000 plus fixture and stock.

Please contact Wyatts Chartered Accountants 10-12 Rickett St London SW6 1CU 071-386 7980.

Metal Fabrication

Business based in West Midlands occupies 10,000 sq ft modern factory fully equipped skilled work force strong current order book and plc customer base. Current owners wish to sell fixed assets and order book. New lease available. Reasonable offers considered.
Write Box H9119, Financial Times, One Southwark Bridge, London SE1 9HL

GARDEN CENTRE SITE

Mid-Cornwall * 3.5 Acre Nursery. 4-bedroomed House * Barn Planning consent for additional new house and change of use to Garden Centre. £180,000 plus SAV

Quinton Edwards, tel: (0256) 881111

MEDICAL SUPPLIES

For sale due to retirement West End retail outlet for medical instrumentation and supplies. Profitable division of well known private company. Turnover in excess of £1m.
Write Box H9116, Financial Times, One Southwark Bridge, London SE1 9HL

PLC's for sale

A selection of un-traded PUBLIC COMPANIES available from stock for immediate trading, complete with 117 Certificates. Share capital requirement already satisfied.

NO FURTHER FUNDS REQUIRED

£750.00 each + VAT or we can convert your existing business to PLC status THE STANDARD FOR EUROPE
Phone 0842 750666 Fax 0842 751629
FINANCE FOR EUROPE PLC

FOR SALE £3M TURNOVER FOOD TRADING COMPANY

"Niche" market importing raw materials for food processing and packing industry. Blue-chip customer base. Dedicated suppliers. Agreed tax losses approx £200k, trading profitably. Principals only.
Write Box H9113, Financial Times, One Southwark Bridge, London SE1 9HL

LONG ESTABLISHED HOSIERY & LINGERIE

Dist. business for sale. Ideal for expanding co with W/H facilities. Would consider amalgamation.
Write Box H9125, Financial Times, One Southwark Bridge, London SE1 9HL

COMPUTER SHOP

IBM dealer, Herts town centre, t/o £300k rising. £79,000 + SAV.
Write Box H9121, Financial Times, One Southwark Bridge, LONDON, SE1 9HL

Company For Sale

Dormant, clean company with ACT capacity of £3.6m. Ready for quick sale. Fixed and/or contingent offers considered.
Write Box H9115, Financial Times, One Southwark Bridge, London SE1 9HL.

CUTLERY IMPORTER & DISTRIBUTOR FOR SALE

Repackaging and distribution of Far East supplied cutlery. Trading from leasehold premises in Sheffield, South Yorkshire. Turnover in excess of £2m per annum. Broad customer base ranging from national to independent stores.
Write Box H9110, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

BUSINESSES FOR SALE OWNERS WILL FINANCE

All Areas except Northeast US
Established businesses, good terms.
AFFILIATED BUSINESS CONSULTANTS
PO Box 49457 Co Spgs, CO 80949

RECEIVERSHIP DISPOSAL

47,500 sq ft on 8.6 acres; Freehold factory/warehouse and offices. Suit single occupier with additional opportunities for subdivision/redevelopment. Offers on £500,000 subject to contract.
Grimley J R Eve
TEL 0272 277778 ref PAH

BUSINESSES FOR SALE

Touche Ross

Partho Fuel Oils Limited
Spitfire Petroleum Co. Limited
(In Administrative Receivership)

The Joint Administrative Receivers, N. R. Lyle and D. L. Morgan, invite offers for the business and assets of the above companies. The main features of the businesses are:

- 3 Freehold and 5 Leasehold retail Petrol Stations located in Hertfordshire and Kent.
- 5.1 acres of land with outline planning permission for petrol retailing and storage.
- Annual Turnover £9m
- Experienced Management.
- 4 road tankers.

For further information please contact Jamie Smith at the address below.

PO Box 810, Friary Court, 65 Crutched Friars, London EC3N 2NP.
Tel: 071 936 3000 ext 2530. Fax: 071 480 6881.

DRT International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business

WASTECARE LTD

The Joint Administrative Receivers, Paul Finn and George Stein, offer for sale the business and assets of the company which operates a waste transfer station.

- Waste disposal licence for leasehold site with substantial covered area in Shipley, West Yorkshire
- Credit customer turnover Jan 91–June 91 £306,000
- 6 jumbo, 164 midi, 110 mini skips and sundry equipment
- 9 employees
- Vast potential

For further details please contact:

Paul Finn or George Stein
Kidsons Impey, Spectrum House, 20-26 Cursitor Street, London EC4A 1HY. Tel: 071 405 2088. Fax: 071 831 2206
Kidsons Impey, Barclays House, 41 Park Cross Street, Leeds LS1 2QH. Tel: 0532 422666. Fax: 0532 422038

KIDSONS IMPEY
Chartered Accountants

PAUL ROSE GROUP

The Joint Administrative Receivers offer for sale the business and assets of the trading companies of the Group which operates as a commercial and financial printing house with in-house distribution and print finishing.

- Consolidated turnover c. £2.25m per annum
- Budgeted 12 months pre-tax profit c. £146,000
- State of the art, Macintosh based, electronic publishing with Japanese (Kanji) section
- Heidelberg presses with Muller Martini bookbinding and Stahl Folding machines
- Well established and extensive customer base
- Leasehold premises in Covent Garden and Bermondsey

For further details please contact:

Paul Finn or Patrick Wadsted
Kidsons Impey, Spectrum House
20-26 Cursitor Street, London EC4A 1HY
Tel: 071 405 2088
Fax: 071 831 2206

KIDSONS IMPEY
Chartered Accountants

YORKSHIRE

travel agency outlets for sale. Harrogate, Pocklington & Haxby. Tel Philip Davies & Sons 061 237 5505.

HEALTH CLUB

In unrivalled prosperous location North/Central London. Excellent reputation and the highest standards with good, growing membership. Confidentially for sale (Leasehold). Offers around £285,000.

Write Box H9072, Financial Times, One Southwark Bridge, LONDON, SE1 9HL.

Dickson Harris Group plc

The Joint Administrative Receivers offer for sale, on a going concern basis, the business and assets of the above group, including the subsidiary companies, Norfolk Manor Furniture Limited, Loftgrass Limited (T/A Dicksons of Ipswich), John F Harris and Son Limited and Guildhall Furniture Limited.

Key features include:

- *Manufacturers of high quality reproduction furniture for the retail, export and contract trades*
- *Superb range of high quality, hand finished reproduction furniture*
- *Group turnover in the last financial year £5.4 million*
- *Freehold and leasehold factory and warehouse units in Sudbury, Ipswich and Great Yarmouth*
- *Highly skilled workforce*
- *Specialist plant, equipment and fixtures*
- *Stock and work in progress*

Offers will be considered for the individual companies or the group as a whole. For further information please contact the Joint Administrative Receiver Chris Hill or Helen MacNaughton, Ernst & Young, Queens House, Queen Street, Ipswich IP1 1SW. Telephone: 0473 217491. Fax: 0473 214484.

ERNST & YOUNG
Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Touche Ross

Norform Limited
and Subsidiary Companies
(In Administrative Receivership)

The Joint Administrative Receivers, J. Wilson and L. K. Denney, offer for sale the business and assets of the above Group, including:

Batching Plant Ltd
HQ Engineers Ltd

- Supplier of process plant equipment for a wide range of businesses.
- Large freehold property.
- Turnover £3-4m.
- Based in Derbyshire, very close to M1.

CPA Sheet Metal
Fabrications Ltd

- Sheet metal fabricators.
- Industrial freehold for sale.
- Turnover £300k.

For further information, please contact Janet Blomfield or John Wilson at the address below or on 0773 810061.

1 Woodborough Road, Nottingham NG1 3FG.
Tel: 0602 500511. Fax: 0602 590060.

DRT International

Authorised by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

On the Instructions of John Richards, Joint Administrative Receiver of Mangogem Ltd and Vastmain Ltd, Christie & Co. are pleased to offer for sale:

The Belgrade Hotel
Stockport, Cheshire

146 en suite bedrooms. Restaurant (80). Ballroom (400). Bars (50). Meeting rooms (8 to 60). Airbus link to Manchester Airport. Car parking (250). Turnover for 31 weeks to June 30th 1991 – £375,885.
Offers in excess of £1,600,000
Freehold and part long leasehold
Contact Joint Sole Agents, Christie & Co, Manchester Office. Julian Troup, Tel: 061-833 3311.
or Richard Ellis, London Office. Simon Fairfax Tel: 071-629 6290,
and separately

The Mildenhall Hotel
Kings Lynn, Norfolk

Well situated town centre hotel with 47 en suite bedrooms. Restaurant (50). Bar (30). Function room (120). Car parking. Turnover for 35 weeks to 31st July 1991 – £250,819.
Offers in excess of £500,000 Freehold
Contact Tim Gooding in Ipswich on 0473 256588.

Alternatively contact Paddy Jeffries, Corporate and Acquisition Division, London. Tel: 071-486 4231. Fax: 071-937 4032.

Touche Ross

CHRISTIE & CO
CORPORATE & ACQUISITION

Daniel Group of Companies
(In Receivership)
Warrington, Cheshire

The above group of companies' main activity is cross-country pipeline construction and associated mechanical engineering for the gas, petrochemical and water industries. It is also involved in building maintenance term contracts in South West Wales.

- Pipeline company's annual turnover £6.5 million
- Building company's annual turnover £2.8 million
- Prestigious customer base
- 2½ acre freehold site with modern workshops at M56/M6 junction
- Freehold office building in SW Wales
- Highly skilled workforce

For further details please contact the Joint Administrative Receivers: Allan Griffiths or Malcolm Shierson, Grant Thornton, 1 Stanley Street, Liverpool L1 6AD. Tel: 051-227 4211. Fax: 051-227 1153.

Grant Thornton
The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Well Established Development and Building Contractors
Bodmin, Cornwall

The Joint Administrative Receivers offer for sale the business and assets of Bealing and Roberts Limited – Bealing and Roberts Construction Limited.

Principal features include:

- Freehold head office of 4,000 sq ft with additional 2 acres of development land, adjacent to the main trunk road.
- Portfolio of freehold land and properties as well as potential development projects.
- Joint turnover to 31 March 1991 £5.8 million.
- Ongoing main contracts with a number of public bodies.

For further information contact the Joint Administrative Receiver, Richard Neville, KPMG Peat Marwick, Phoenix House, Notte Street, Plymouth, PL1 2RT. Tel: 0752 225381. Fax: 0752 257535.

KPMG Corporate Recovery

EDENDERRY SHOE COMPANY (MANUFACTURING) LIMITED
(IN RECEIVERSHIP)
FOR SALE

The business and assets of Edenderry Shoe Company (Manufacturing) Limited (In Receivership), manufacturers of ladies fashion shoes.

The manufacturing facilities which are located at Edenderry, Co. Offaly, comprise continuous assembly line and lasting oven, B.U. machines, moulding and nailing machines, lasting machines and heaters, leather sewing and cutting machines. Productivity was in the region of 900 pairs of shoes per day on a single shift basis.

Freehold land and buildings consist of 35,800 sq. ft of manufacturing, stores and office space on a site of c.5 acres.

A highly skilled and experienced workforce is available locally.

Enquiries to:

John Donnelly, B.L., F.C.A.,
Receiver and Manager,
Edenderry Shoe Company (Manufacturing) Limited,
(In Receivership)
Deloitte & Touche,
43-49 Mespil Road,
Dublin 4.

Tel: Dublin (01) 604400/605500
Fax: Dublin (01) 606688

Deloitte & Touche
Member DRT International

Ford Motor Dealership

The Joint Administrative Receivers offer for sale the business and assets of Peter Clarke (Autos) Limited. Principal features include:-

- *Main Ford dealer for Skipton area*
- *Operating from freehold premises including purpose-built car showroom and workshops*
- *Annual turnover in excess of £10 million*
- *58 employees*

For further details please contact Scott Martin or John Warren, Ernst & Young, Lowry House, 17 Marble Street, Manchester M2 3AW. Telephone: 061-953 9000. Fax: 061-834 7117.

ERNST & YOUNG
Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Long established FITTED KITCHEN/ BEDROOM BUSINESS FOR SALE

N.W. London area
Turnover in excess of £700,000.

Write Box H9000, Financial Times, One Southwark Bridge, London SE1 9HL.

LEONARD CURTIS

IN THE MATTER OF

M&M ELECTRICAL LIMITED

Offers are invited for the business and assets of the above company as a going concern. It's main activity is that of Electrical Wholesalers (Industrial and Domestic).

- Based near Bedford.
- Leasehold Premises (approx. 2700 sq. ft.)
- Annual Turnover £3/4 m.
- Agents for Branded Products.
- Established Customer Base.

Enquiries should be addressed to Charles Macmillan at:-
Leonard Curtis & Partners, Chartered Accountants
Peter House, Oxford Street, Manchester, M1 5AB
Tel: 061 236 1955 Fax: 061 228 1929

By Order of the Joint Administrative Receivers, Brian Mills F.I.P.A., F.I.C.M. and Peter Lawrence B.A. A.C.A. of Booth White
Re: Hailes and Smith Ltd. T/a D Samuels and Sons

GENERAL PRINTERS AND STATIONERY COMPANY

- Undertake artwork, origination, design, print finishing etc.
- Separate stationery business supplying direct to customers
- Wide customer base in U.K.
- Continuing work in progress
- Leasehold retail outlet in EC1 with industrial units in Brentwood and Ramsgate
- Turnover to March 1991 — £580,000 approx.

BUSINESS & ASSETS FOR SALE
Contact Ref: GSM

ES&P
EDWARD SYMMONS & PARTNERS
2 Southwark Street, London Bridge, London SE1 1RQ
Fax: 071-407 6423
LONDON · MANCHESTER · LIVERPOOL · BRISTOL · SOUTHAMPTON
Tel: 071-407 8454

Lab Furnishing & Services Limited
(In Receivership)

The business and assets of this established designer and manufacturer of advanced research laboratory facilities are available for sale.

- Turnover of approximately £7.0 million.
- "Blue Chip" client base both in UK and overseas.
- BS 5750 application pending.
- Operates from leasehold premises in Hull.
- Trained and highly skilled workforce.

Enquiries to: Roger Marsh, Price Waterhouse, 9 Bond Court, Leeds LS1 2SN. Tel: (0532) 442044. Fax: (0532) 441401/439745.

Price Waterhouse

Bright Plastic Panels Limited

The Joint Administrative Receivers offer for sale the business and assets of the above company.

- *Designers, manufacturers and installers of high quality modular washrooms and bathrooms*
- *Fabricators of plastic laminates*
- *Based in Feltham, Middlesex in 13,500 sq ft leasehold premises*
- *Current order book of £560k*
- *Turnover £1.5m (5 months) this year, £2.1m (12 months) last year*
- *BS5750 accredited*

For further details please contact Alan Lovett or David Collings, Ernst & Young, Apex Plaza, Reading, Berkshire RG1 1YE. Telephone: 0734 500611. Fax: 0734 507744.

ERNST & YOUNG
Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Fresh Vegetable Processor

The Joint Administrative Receivers offer for sale the business and assets of Oakleigh (Leicester) Limited.

Key features include:

- *12,000 sq. ft. purpose built single storey leasehold in North West Leicestershire*
- *Incorporating:*
  - *2 fully automated potato peeling lines*
  - *1 fully automated carrot peeling line*
  - *Full Baton cutting and grading line*
  - *Parisienne cutting line*
  - *Parmentier machine*
  - *Unique automatic chateau machine*
- *Customers principally comprise of nationwide distributors in the catering sector, together with food processors/manufacturers*

For brief particulars of sale please apply to the Joint Administrative Receiver T. Frid, Ernst & Young, Provincial House, 37 New Walk, Leicester LE1 6TU. Telephone: (0533) 549818. Fax: (0533) 551357.

ERNST & YOUNG
Authorised by The Institute of Chartered Accountants in England and Wales to carry on investment business.

Small Furniture Company

With good sales record and international connections offered for sale. Excellent premises close to Central London.

Write to Box No:H9063 Financial Times, One Southwark Bridge, London SE1 9HL.

Ford puts accent on accuracy

Ford last week announced that it is re-equipping its Dagenham tool-making facilities with new processes which it says can produce press tools 14 times more accurately than its conventional methods.

According to Neil Spence, manager of tooling operations at Ford's body and assembly plant at Dagenham, the computer numerically-controlled processes "offer a level of accuracy never before possible".

The company says its new systems, on which it is spending £4.3m in the UK, will increase by 20 per cent its capacity to produce the 1,350 individual dies it says are needed to produce the steel panels of a medium-sized car.

Using the new processes, Ford says it can produce dies to an accuracy of 1/20th of a millimetre, compared with 7/10th of a millimetre under its current systems.

The current methods involve the "copy mill" technique, where the tool shaping the die is mechanically linked to a probe following the outline of a full-sized model of the vehicle to be assembled. Subsequently, the dies are ground and polished by hand – a process which, acknowledges Spence, can involve "sometimes weeks of hand grinding and polishing".

Under the processes now being introduced, as part of Ford's "Cam 91" programme to increase its use of computer-aided manufacturing, the tool machining the die is guided by a computer programmed with exact measurements.

Other manufacturers, however, *might regard Ford's* claim to be "pioneering" such systems to be valid only in respect of Ford itself.

UK rival Rover Group has recently begun using computer database-driven press tool manufacturing equipment at its Swindon body pressings plant, which is also to supply the bodies for Honda's car factory under construction at a nearby site. Rover claims its own facilities, which have as a key element advanced robots working on five axes, to be among the most advanced in the world.

John Griffiths

Michael Cassell looks at research into drugs which are intended to enhance mental performance

Appetite grows for 'smart pills'

Drugs can blow your *mind. They can also* help you improve it, according to fans of a fast-developing area of pharmaceutical science intended to reach parts of the human brain that drugs have so far failed to reach.

Stand by for the age of "smart pills" offering an effortless way to improve mental performance. Ward Dean, an expert on ageing from Pensacola, Florida, says they should "be useful to virtually anyone *who uses their brain*".

"Scientists no longer believe that our intelligence is determined strictly by genetics. The concept of a fixed intelligence is a limiting belief and turns out to be untrue," he claims. "Now we know that you can develop and increase your intelligence."

So be prepared to pop a pill, perhaps made from extract of periwinkle or egg yolk, and then stand back as your intelligence expands. As a bonus, *your memory, powers of con*centration and problem-solving abilities may be transformed. Take your daily dose of "mind food" and you could sail through exams or even win promotion at work.

But one expert's miracle pill can be another's quack potion. Professional enthusiasm for the crude concept of brain-boosting drugs is not universally shared. Many drugs claimed to enhance mental performance are said by critics at *most to increase the flow of* blood to the brain. Others emphasise that, despite long trials, the drugs remain unproven. Some believe they could carry dangerous side-effects.

Many British experts remain highly sceptical, if not dismissive, of the value of such drugs. They stress the difficulty of monitoring and evaluating changes in aspects of human performance such as mental ability.

The concept of the smart pill is not new but continuing research has undeniably added fresh knowledge about the activity of individual chemicals and proteins within the brain.

The past decade has seen an *increasing volume of resources* devoted to the development of legitimate cognitive enhancers. These, it is hoped, will be able to treat many disorders of the central nervous system, at the heart of which lies the brain and its 100bn nerve cells.

Degenerative diseases of the brain – such as Alzheimer's and senile dementia, as well as the neurological impairments that arise from strokes or serious head injuries – could finally be treated in the same way that advanced drugs have overcome serious infections, several types of cancer and cardiovascular disease.

Clinically available cognitive enhancers to deal comprehensively with some of these ailments and traumatic injuries may still be a decade away but success could mean a market worth billions of dollars a year.

The word nootropics – from the Greek meaning "acting on the mind" – has been coined to describe low-toxicity substances that improve learning, memory consolidation and memory retrieval without affecting other parts of the central nervous system.

No nootropic drug has so far been approved by the US Food and Drug Administration, although they are being imported into the US and are widely available in many countries.

Some substances are well-known, such as piracetam – used to treat problems as diverse as alcoholism, vertigo and sickle-cell anemia. It is thought to stimulate the central nervous system and, users claim, "wakes up your brain". But it might also give you insomnia, nausea and headaches.

Nootropics are already used for a number of health problems as divergent as circulatory disorders, dizziness and dyslexia. *But there is disagree*ment within the scientific community as to which substances are nootropics and which are not. Some enthusiasts believe their continued development will eventually provide the *basis for* a readily available generation of smart pills.

Others now being researched include aniracetam, which is said to have a significant "revitalising" effect. Vinpocetine is hailed as a powerful memory enhancer allegedly offering the combined benefits of several other cognitive enhancers. Fipexide is said to help the learning process.

Whatever the reservations about their real value or the advisability of using drugs for purposes other than those for which they were principally *intended, more than 100,000* healthy Americans are already said to be taking smart drugs to boost mental capacity.

Many are exploiting a legal loophole to import substances – not approved by the FDA – *which are primarily* intended to combat specific ailments but which are also claimed to offer wider benefits.

The phenomenon has not gone unnoticed by American pharmaceutical companies, which are keen to benefit from a potentially major advance in neuroscience. Already, more than 140 smart pills are thought to be under development in US laboratories, making them the 10th-largest class of drugs being researched.

The Department of Health in Britain says it has not yet *issued any specific guidance* on smart pills but offers a general caution against the use of any substances which have not been thoroughly screened.

The Association of the British Pharmaceutical Industry *emphasises that its members* are engaged in the development and sale of prescription-only drugs which would not easily be obtained by healthy people seeking any additional, claimed benefits; so far, the association regards smart pills as "very fringe".

Even so, all large European pharmaceutical companies are also undertaking research which could lead to drugs to improve aspects of the brain's performance. Their development programmes focus not on the search of a single, all-powerful pill intended to make people smarter but on more specific problems associated with the central nervous system.

Age-associated memory loss, for example, is deemed to be a normal medical condition which affects between one quarter and one half of people over 65. Western Europe's growing elderly population means that the market for central nervous system drugs to help combat the many aspects of ageing is forecast by market researchers Frost & Sullivan to grow from $5bn (£2.9bn) in 1989 to more than $8bn by 1995.

Glaxo of the UK runs a mile from being associated with "smart pills". But it announced earlier this year that studies of ondansetron, a drug recently launched to control nausea in patients being treated for cancer, suggested it could play an important role in calming anxiety and reviving memory capacity in the middle-aged.

In tests, the drug is claimed to have given back to patients powers of learning and memory which they commanded up to eight years earlier.

People like Tim Bliss, co-discoverer of one *possible mechanism* by which brain cells store memories, do not dismiss the prospect of developing drugs which could be useful in the treatment of memory disorders.

But Bliss, who is head of the Neurophysiology and Neuropharmacology Division at the National Institute for Medical Research in London, says that because memory is likely to be stored by many nerve cells and their connections, one "blockbuster" drug to improve overall memory is unlikely.

For those in a hurry to attain superior intelligence or super-sharp memories, Ward Dean has jointly prepared with colleague John Morgenthaler *an introductory guide** to smart drugs which they suggest may "vastly increase your brain power".

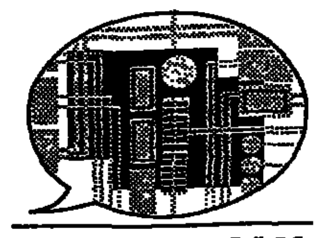
They warn against a "pick and mix" approach, suggesting that users test each compound *separately after telling friends* and family to watch them more closely than usual for changes in behaviour.

Signs of success, they say, might include improved moods and better all-round health. The lucky ones can also expect to improve their sex lives and raise their game of chess.

**Smart Drugs and Nutrients. B&J Publications. £7.95.*

Challenging the entrepreneurs

By Louise Kehoe



TECHNICALLY SPEAKING

The proliferation of start-up companies in California's Silicon Valley has long been admired by those attempting to establish high-technology industry centres in other parts of the world.

Far from being a source of the region's economic strength, however, west coast semiconductor industry leaders now claim that the "spin-off" phenomenon has weakened the *structure of the US semicon*ductor industry by diverting resources away from established companies.

Charles Sporck, a Silicon Valley pioneer who retired this spring as chief executive of National Semiconductor, one of the leading US chip makers, asserts that the creation of scores of semiconductor start-ups in the past 20 years has contributed to the US semiconductor industry's loss of world market share to Japan.

"If start-ups were the answer, the US should overwhelm the world," Sporck said at a recent industry gathering, "but this is not the case. We have been experiencing a declining market share while starting an immense number of companies."

Sporck estimates that 20 large Japanese semiconductor companies share worldwide revenues of about $28bn. By contrast, 109 US chipmakers share revenues of $21bn. "What is most troubling," he said, "are the nearly 200 US semiconductor companies that were created, nourished and disappeared," in the past 20 years. These companies, he suggests, have drained financial resources, *equipment and tal*ented people from established semiconductor companies.

Taking up the theme, W J Sanders, chairman and chief executive of Advanced Micro Devices, suggests that the *world semiconductor industry* is becoming an oligopoly of large companies that dominate the world market. "American companies are still in the game, but we have too many players in some sectors."

Andrew Grove, president of Intel, the largest Silicon Valley chip maker, is also questioning the role of the dozens of start-up companies that emerged in the mid-1980s.

"Five years later those start-ups are a little bit bigger start-ups. They did not save the industry as some commentators had predicted," he says.

What is behind this apparent effort to deflate the high esteem in which Silicon Valley entrepreneurs have been held? Cynics might suggest that the *new generation of start-ups* is creating a more competitive environment in which companies such as National, AMD *and Intel are suffering a loss of* market share.

Sporck says, however, that he is simply challenging assumptions that could lead to misguided US government policies towards the US semiconductor industry. In particular, these executives are acutely aware that Sematech, the US government-backed semiconductor consortium formed four years ago, is about to begin lobbying to persuade the US government to extend its funding. The 14 member companies of Sematech represent about 80 per cent of US semiconductor industry revenues. They include all of the largest US chip-makers.

One of the most vocal critics *of Sematech has been* T J Rodgers, founder of Cypress Semiconductor, an eight-year-old semiconductor company. In congressional testimony, Rodgers attacked Sematech as an "old boys' club", representing only the interests of a few big companies.

The industry's "old boys" are now fighting back. By asserting that they are the "flag carriers" for the US semiconductor industry, they aim to elicit support in Washington. In the process, however, they are raising questions about the role that entrepreneurialism has played in the US high-technology industry.

ARTS

Cherkassky at 80

ROYAL FESTIVAL HALL

As a large and eager audience discovered on Sunday, the pianist Shura Cherkassky at 80 is much like Cherkassky at 70 or 60 or 50. Not that he repeats himself: quite the reverse. Though his marvellous technical resources remain constant, he has an inexhaustible cornucopia of whims, of odd, oblique new insights into music he has played a thousand times. Those are what we love him for, because on the spur of the moment he translates his whims into such luminous pianism, superbly controlled, with a variety of musical colour unknown to most younger athletes.

Cherkassky is a kind of second-order interpreter. That is, in familiar repertoire his performances do not aim to be "definitive readings", but to cast unpredictable new lights upon passages we thought we knew. Other pianists can strive earnestly to build large dramatic structures, expound cogent arguments and so forth: Cherkassky plays for the moment, and given his quizzical imagination and his executive genius that is generally more than enough. To appreciate it to the full, you need to know the music already – and not to expect every account of it to have *monumental* ambitions.

On Sunday, for example, he began with Busoni's notorious transcription of Bach's solo-violin Chaconne in D minor. I don't admire it: it is magniloquent, overstuffed with Teutonic-romantic effects where the original is gloriously spare. But Cherkassky hadn't the least interest in grand structure, or rather he took it as read; instead he explored Busoni's pianism in brilliant detail, with sensational contrasts between the successive variations – all rendered with a craftsman's dedicated attention, though with huge fluctuations of pulse that forswore any Classical pretensions.

For a newcomer it wouldn't have made a good introduction to the great Chaconne, but it was extraordinary piano-playing. Extraordinary music-making, too, since even Cherkassky's most off-the-wall whims are responses to the music itself: maybe the original spin he gave to this or that variation could never be accommodated in a sober, long-breathed account of the whole work, but usually it made some unexpected Bach-Busoni facet gleam. All those things could be said of his Schumann *Etudes symphoniques* too, and indeed of his Chopin Fourth Ballade, where he glided indifferently over most of the dramatic nodes – the better to strike new sparks off "mere" episodes and transitions.

In Stravinsky's fearfully taxing *Petrushka* transcriptions, which Cherkassky can command as well as anybody, he made the colour-range physically palpable at some cost to the exuberant drive of the music, applying sudden brakes where no orchestral conductor would dare to do. Yet he was tirelessly dazzling in his teacher Josef Hofmann's *Kaleidoskop*, and in Paul Pabst's hand-me-down *Onegin* waltz-paraphrase, and then in a string of magisterial encore-pieces. He is one of the last living pianists who can remind modern performers that there was an older kind of keyboard-mastery – wholly musical, in its way, but more a matter of practised, practical, on-the-spot intuition than of studied intellectual grasp – which looks soon to be lost forever to "classical" playing.

David Murray

Dream Play

THEATRE NATIONAL, BRUSSELS

Dream Play, Belgium's offering at the Avignon Festival this summer, has now come home to open the Brussels season, and a tacky piece of export marketing it is. "Made for the European avant-garde" is stamped all over it: imitations of Tadeusz Kantor here, Robert Wilson there, shades of Mark Morris in the dance routines which stud this unhappy mélange.

And yet it exerts a ghoulish fascination: for the impudence with which director Isabelle Pousseur has gone to the theatrical couturier, kitted her show out in the latest names and styles, and tried to pass copy-cat art off as original; for the speculation it invites, of how high stylisation distils, say, a Kantor or a Wilson drama into an essence of experience while Pousseur's images lurk meaninglessly on stage.

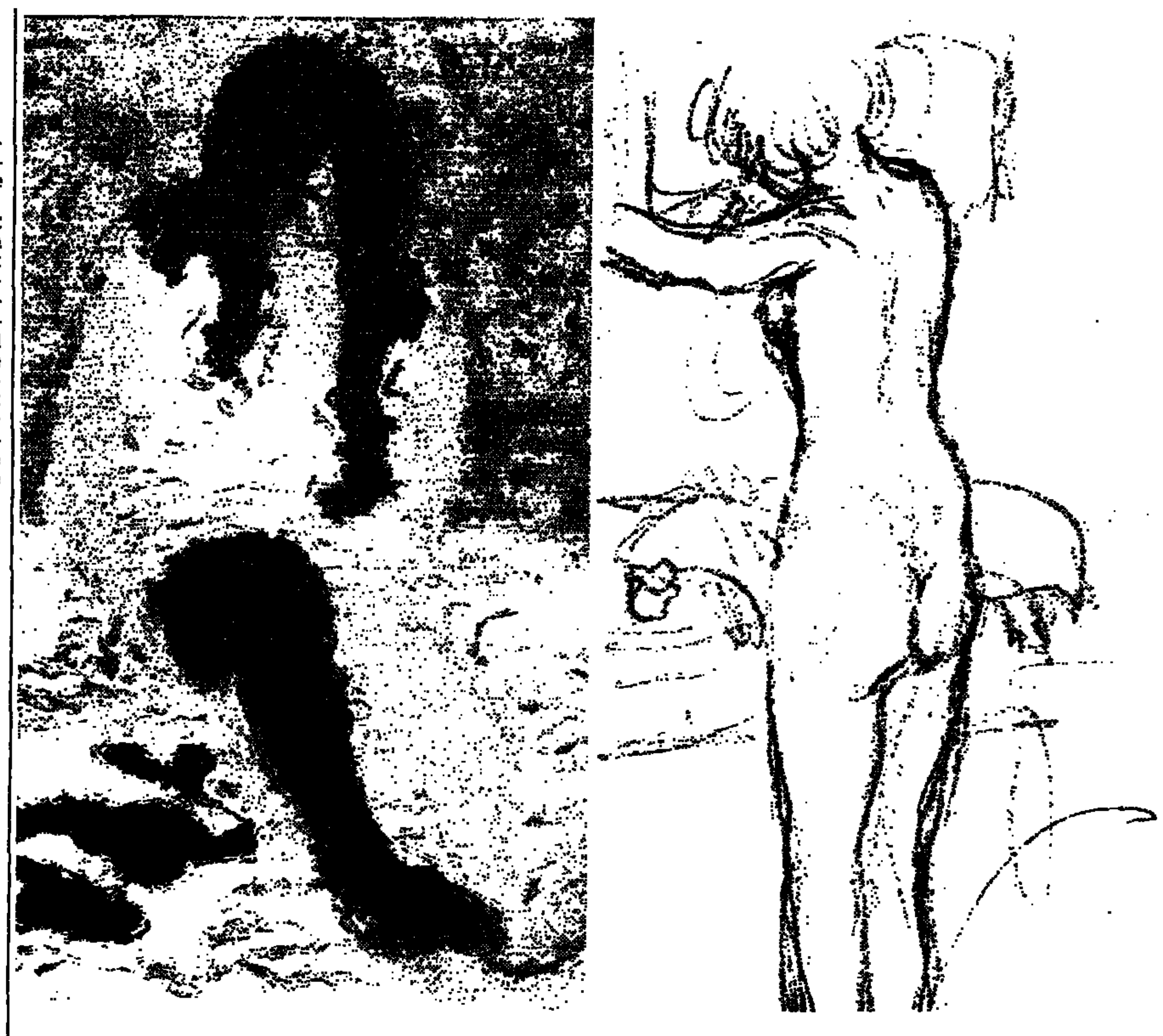
Strindberg's play, episodes in the dream-like visit to earth of Agnes, daughter of the god Indra, encourages – insists upon – stylised form. This was Strindberg's attempt at a 20th century *Tempest* and Agnes responds to her brave new world partly as pitying Christ, partly as marvelling naive. The combination is virtually unplayable and Ms Pousseur has wisely excised sentimental philosophising and gone all out for Alice-in-Wonderland surprise.

Like Chinese boxes, backcloth opens on to backcloth, a new one for each scene. Some suggest "Alice" itself: giant plant and flower cutouts tower above human actors. Others are surrealist classics: wheelchairs pushed by faceless white coats colliding with bicycles ridden by lunatics. I felt I had mostly seen them before: the mix of tutu ballerinas and 1960s pop art in Morris's Hard Nut, in Brussels earlier this year; the cohort of men in black whizzing machinery on stage from all angles was one of several scenes precisely recalling Kantor's last show. Interludes like Agnes's wedding incongruously play as straight drama.

Absent is the crazy coherence of dream logic which filters through Strindberg's jumble of images, or indeed any unity of style. The jumble makes the play a magnet for the theatrically self-indulgent, but it needs a bold and individual vision to pull it together on stage. And as the one "unifying" character, Agnes, Francine Landrain is the weakest of the cast, looking and acting like a wooden doll, moonstruck grin permanently painted on her face.

Henri Monin gains sympathy as her temporary husband, but only Marc Schreiber as the lovelorn officer delivers a performance at once sustained in tone and developing in character. From the youth cutting capers while hanging on to his bunch of red roses, to the old man with walking stick and withered flowers, still waiting, he combines comedy, pathos, faith. His inventiveness, moral energy and wit illuminate a hard evening, rescuing his own scenes with a tantalising glimpse of what might have been a fine production.

Jackie Wullschlager



'Woman putting on her stockings', 1893 and 'Woman at her toilette', 1914, by Bonnard

Bonnard in a private mood

William Packer visits JPL Fine Arts and the Marlborough Gallery

A small but extremely choice exhibition of paintings and drawings by Pierre Bonnard has lately opened at JPL Fine Arts (26 Davies Street W1: until December 6). The gallery specialises in this period of French painting – the turn and early decades of this century, and the show completes a natural pair with the remarkable Vuillard exhibition of earlier in the year. It too was made in collaboration with the Galerie Salis of Salzburg, where it has already been shown.

The nearer we approach the millennium, the more convinced I am that in Bonnard we have one of the four great painters of the 20th century. Quite who should stand *primus inter pares* of this remarkable quartet is, of course, open to eternal, irresolvable debate. But, for me, he is there with Picasso, Max Beckmann and Matisse: he is often the most abstract and always the purest painter of them all. It follows that any exhibition of Bonnard's work, large or small, is of considerable interest.

Indeed it often proves to be a case of the smaller the better and, if it is a dealer's show, the more intriguing and unexpected. While major works may from time to time come up for sale, by now most of them have been settled in permanent and public collections. It remains for the dealer to put together shows of the smaller, rarer, more private things – the drawings, the studies, the cabinet pictures that have come his way.

So it is exactly with the JPL show. One wall is banked high with rapid, characteristically scrubby drawings taken from the small pocket sketchbooks Bonnard always used, notes of images or details that caught his eye. These alone are fascinating enough, both for the insight they afford into the artist's work, and the quirky personal presence they evoke, beautiful things, oddly precise in their observation despite their apparent casual informality.

But, if the drawings are remarkable, how much more so are the paintings. There are a small landscape or two, a couple of early conversation pieces, figures in interiors, and a painting from the 1920s of young girls in the street. There are also a couple of remarkable portraits: one an early study of a boy, whose gently modelled face and ringlets summon up a positive echo of an Infanta of Velasquez; the other a late, high-coloured half-length of Colette Carré. In short, the span of the career and the range of images and preoccupations are embraced alike, though wonderfully concentrated.

As to that question of his supposed pre-eminence, of those four great artists, Bonnard, whose earliest success in the 1890s was founded on his graphic simplicity and sophistication, is the least graphic in essence. The presence of the drawings notwithstanding, he is the least dependent on drawing in the establishment and development of his paintings. Indeed his drawings tell us as much, by the way in which they nudge and tease and coax the image into being. Where the others all draw in the paint, define a contour and paint within it, propose and establish the image by line alone, he seems rather to dissolve his images into the ambiguous mass of paint.

Things come and go, always floating in ambiguous relation to the conventional pictorial space that any figurative image proposes. Paint is laid against paint, now lying on the surface, now falling away. The focus is soft, indistinct. Now we see what might be a face, a tree, an arm, a distant landscape and now we don't. All is done by the quality of the paint itself, as it sits on the surface of the canvas in relation to whatever mark – colour, texture, tone – is laid alongside. It is in this sense that he is the most abstract of these painters, and the most painterly.

★

Celia Paul is a young English painter, just 32, whose second solo show has a week to run (Marlborough Fine Art, 6 Albemarle Street W1: until October 19). She is no Bonnard, her sensibility altogether more Northern, less hedonistic for that – though clearly she relishes the stuff of paint no less. To see her work is to think not of France at all, but of the Dutch painting of the 17th century, or of the Hague School in the 19th and the earliest phases of Van Gogh, all more tonal than chromatic in modelling and description and often inclined towards the monumental. But she too characteristically subsumes her drawing within the physical matter of the paint. She has come a long way in a short time, and at last begins to declare herself truly independent without in the least denying her creative roots and influences, always a tricky transition. She began as an open follower of Lucian Freud, whose example, quite as much for its intensity and commitment as technique, is no bad thing. Since then she has been looking more towards Frank Auerbach, in particular to the dense, clotted surfaces of his earlier work rather than his current more open, cursive and ebullient expressionism. But she goes neither so far in the assimilation of the image into the surface overall, nor in its expressive distortion. It would seem to be in thus keeping her distance that she has truly found herself.

All her paintings are of the clothed figure – conversation pieces, full-length studies or portraits. The sense is very much of friends and family rather than the professional model. The space is bare and simple and where necessary clearly defined, the light low, the figure usually sitting more or less relaxed. And, though Miss Paul's pictorial ambition has never been in doubt, it would seem that her confidence is growing as her touch lightens and her working of the figure grows less mannered, earnest and self-conscious. Her latest painting, a full-length on the grand scale of her mother standing, half turning in the half-light, is an ambitious undertaking by any standard, and no less successful. This is altogether a most impressive show.

Regional theatre awards

Toby Robertson, director of Theatr Clwyd and founder of the touring company Prospect, has won the prize for most outstanding contribution to theatrical life outside London in the first regional theatre awards, backed by Martini and the Theatrical Management Association.

Best actress was Cheryl Campbell for *A Streetcar Named Desire* at Leicester Haymarket, and best actor was Stephen Hattersley for *Kingdom of Earth* at the Redgrave Theatre, Farnham. Robin Glendinning's *Donny Boy*, at Manchester Royal Exchange, was judged best new play, and the most welcoming theatre was the Watermill at Newbury.

Tokyo Symphony

ROYAL FESTIVAL HALL

The Japan Festival strengthened its hold over London at the weekend. The big boys muscled in at the Royal Albert Hall for the first Sumo tournament to be held outside Japan, while on Saturday a musical first of a more genteel kind took place on the South Bank.

The Tokyo Symphony Orchestra has toured North America and the Far East before, but the present visit is its first to Britain. To judge from this single showing it is an accomplished body of players, who make up in corporate skill what they may lack in individuality of style. The orchestra's sound is unexpectedly full (plenty of sinew in the strings) but without bestowing upon it an especially distinctive blend of its own.

Given the claims that the orchestra makes for programming contemporary music, it was a shame that it was not more ambitious in the Japanese music that it brought to London. Akira Miyoshi's *"Litania pour Fuji" Poème Symphonique pour Orchestre* was more than a token gesture, but only just. The piece is a musical depiction of Mount Fuji and at about 15 minutes makes a Straussian tone-poem of foreshortened proportions, a sort of small-scale *Alpine Symphony*.

The atmosphere is set by motionless clouds of divided strings and tinkling Japanese percussion, which promise well enough. But as soon as activity is called for, the Western influences become unduly obvious: Stravinsky in the pounding rhythms, Messiaen in the coruscating sound-world of the ending. It added up to less than it should.

In the rest of the concert Kazuyoshi Akiyama took his players for a measured canter on two war-horses. A welcome care for broad, lyrical phrasing gave their performance of Chaikovsky's Fourth Symphony a measure of class, but Akiyama is not a conductor to set the pulse racing and the symphony failed to work up much excitement until it was in the final straight. A lesser musician might perversely have driven more intensity out of the music.

In the first half Beethoven's Violin Concerto, with Yazuko Horigome the sensitive soloist, had also been thoughtfully musical and correct rather than inspiring. The lasting impression was of an orchestra with potential for more than it delivered.

Richard Fairman

The Takemitsu Signature

BARBICAN HALL

The Barbican's four-day celebration of Toru Takemitsu at last provided a focus to the token offerings of contemporary music spread through the lavish programmes of the Japan Festival. Alongside orchestral and chamber concerts, exhibitions and foyer events, "The Takemitsu Signature" included showings of some of the films, Teshigahara's *Woman of the Dunes* and Kurosawa's *Ran* among them, for which Takemitsu has supplied soundtrack scores.

Despite his omnicompetence, Takemitsu's domination of contemporary Japanese music is, I'm sure, far less complete than our flattened Western perceptions of his stature would suggest; figures like Toshi Ichiyanagi, known only sketchily in Britain, have been almost equally influential on younger composers over the last quarter century. Takemitsu remains our most reassuring paradigm for a Japanese confronting the European art-music tradition because he has assimilated his style from those modernist composers – Debussy, Berg, Stravinsky, Messiaen – that our own culture now accommodates most comfortably. Ichiyanagi, for instance, has been drawn much more towards American experimentalism, and to John Cage in particular.

The idea of the Barbican series was to place Takemitsu's works within the context of the music that had shaped his style. So the New London Chamber Choir's short programme placed his *Wind Horse* alongside *a cappella* pieces by Debussy and Messiaen; Sebastian Bell and Julian Bream's survey of the flute-and guitar pieces also included other impressionist miniatures, while the orchestral concerts emphasised Stravinsky and Debussy. One of the main programmes was lost: the BBC Welsh Symphony's concert on Friday, scheduled to include Takemitsu's *Dream Window*, was cancelled when the conductor fell ill, which left the pair of London Symphony concerts, on Thursday and Sunday, conducted by Michael Tilson Thomas.

Both were flamboyant, exhilarating events, containing exactly the repertory that shows Tilson Thomas at his best: Stravinsky's *Rite of Spring* and Symphony in Three Movements, Debussy's *La Mer* and *Jeux*. There was also a vivid, thunderous account of Messiaen's *Couleurs de la cité céleste* and Oliver Knussen's 3-minute *Flourish with Fireworks* played twice because, as Thomas observed accurately, you don't get something as good as that very often.

In such rich company the pastel pleasantries of the two substantial Takemitsu pieces ran a serious risk of being overwhelmed. In Thursday's programme *Vers, Arc-en-ciel, Palma*, written for the Birmingham orchestra in 1984 made an unconvincing impression: its strange pastoral wanderings (like Delius without the tunes), into which solo guitar and oboe-d'amore insert their own short dissertations, seem to lack the kind of bejewelled precision and clarity that generally make Takemitsu's structures at least sensually rewarding.

Quotation of Dream, the centrepiece of Sunday night's concert commissioned for the festival by the LSO, was a strange, unclassifiable kind of piece, and in one sense deliberately undistinctive. The quotations from *La Mer* studded through it bring all Takemitsu's Debussyan debts to the fore, so much so that his own music around them just seems like more of the same. The Debussy score is always in the background while Takemitsu offers an alternative dream journey through its colours and textures. There are two solo pianos (Peter Serkin and Paul Crossley in this performance), and other quotations, from Takemitsu's own works associated with the sea, embedded in it. It is an odd, not at all unpleasant experience, nothing like the surreal, quotation-ridden music that became so fashionable in the 1960s. But it is also not a free-standing work; its symbiotic relationship with Debussy is always uneasy and finally a rather unconvincing one.

Andrew Clements

INTERNATIONAL

ARTS GUIDE

TODAY'S EVENTS

■ AMSTERDAM

Muziektheater 20.00 Alberto Zedda conducts Dario Fo's production of Il barbiere di Siviglia, also Thurs and Sat. Tomorrow, Fri and Sun: Dutch National Ballet (6255 455/ credit card bookings 6211 211)

■ ANTWERP

De Vlaamse Opera 20.00 Rudolf Werthen conducts first night of Pet Halmen's production of Der fliegende Holländer, with Bodo Brinkmann in the title role, Luana DeVol as Senta and Graeme Matheson-Bruce as Erik. Runs till Nov 1, with next performance on Fri (233 6685)

■ BERLIN

Deutsche Oper 20.00 Jose Carreras, accompanied by Lorenzo Bavaj, in a programme of songs by Scarlatti, Tosti, Puccini and others. Tomorrow: La bohème (West Berlin 3410 249)
Schauspielhaus 20.00 Neeme Järvi conducts the Gothenburg Symphony Orchestra in Sibelius' En Saga, Bartok's Concerto for Orchestra and Dvorak's Cello Concerto, with Frans Helmerson. Tomorrow and Thurs: John Nelson conducts the Berlin Staatskapelle (East Berlin 2272 261)
Philharmonie Kammermusiksaal 20.00 Boettcher Trio plays trios and sonatas by Boulanger, Debussy, Schubert and Brahms. Wed, Thurs, Fri, Sat: Jeffrey Tate conducts the Berlin Philharmonic Orchestra (West Berlin 2614 383)

■ BRUSSELS

Palais des Beaux Arts 20.00 Kees Bakels conducts the Belgian National Orchestra in an all-Mozart programme, with Alan Weiss soloist in the Piano Concerto No 17 and Joris Van den Hauwe soloist in the Oboe Concerto. Thurs: Gidon Kremer plays Mozart's Second Violin Concerto. Fri: Antonio de Almeida conducts the Flanders Philharmonic Orchestra in music by Portuguese and Spanish composers. Sat: Alexander Rahbari conducts the BRT Philharmonic Orchestra in Debussy's Images and Beethoven's Fifth Piano Concerto, with Pedro Burmester (507 8200)
Monnaie 20.00 Das Rheingold: opening night of the second cycle of the Brussels Ring, staged by Herbert Wernicke and conducted by Sylvain Cambreling. Tomorrow: Die Walküre. Fri: Siegfried. Sun: Götterdämmerung. The third cycle begins next Tues, and the final cycle on Oct 29 (219 6341)

■ LONDON

Covent Garden 19.30 Sian Edwards conducts Nuria Espert's production of Rigoletto, with Piero Cappuccilli in the title role and Judith Howarth as Gilda, also Sat. Thurs: Götterdämmerung (071-240 1066)
Coliseum 19.30 Justin Brown conducts Jean-Claude Auvray's production of La bohème, with Gillian Sullivan as Mimi, also Fri. Tomorrow, Thurs and Sat: The Mikado (071-836 3161)
Royal Festival Hall 19.30 Esa-Pekka Salonen conducts the Philharmonia and the Ensemble InterContemporain in a Berg programme: Chamber Concerto, Violin Concerto and Three Pieces Op 6, with soloists Gidon Kremer and Oleg Maisenberg. Tomorrow: Mariss Jansons conducts Sibelius, Bruch and Respighi (071-928 8800)
Queen Elizabeth Hall 19.45 Barry Wordsworth conducts the English Chamber Orchestra in Rodrigo's Concierto de Aranjuez and the first performance of Herbert Chappell's Caribbean Concerto, with guitar soloist Eduardo Fernandez. Tomorrow: Luciano Berio conducts the London Sinfonietta. Fri: Frans Bruggen conducts the Orchestra of the Age of Enlightenment. Sat: concert performance of Bliss' The Olympians (071-928 8800)

■ MADRID

This week's concerts include a recital by Maurizio Pollini tonight, a programme of Hummel, Dvorak and J.C. Bach played by the Virtuosi of Prague on Thurs, and three performances of Mahler's Resurrection Symphony (Fri, Sat, Sun) with the Spanish National Orchestra and Chorus conducted by Aldo Ceccato (337 0100)

■ NEW YORK

Avery Fisher Hall 20.00 Yuri Temirkanov conducts the New York Philharmonic Orchestra in music by Stravinsky and Rimsky-Korsakov, plus Ravel's Concerto for the Left Hand with Alexander Slobodyanik. Tomorrow: Christoph Eschenbach conducts the Bamberg Symphony Orchestra. Thurs, Fri, Sat and next Tues: Kurt Masur conducts Schnittke and Dvorak. Sun: Lorin Maazel conducts the Pittsburgh Symphony Orchestra (875 5030)
Metropolitan Opera 20.00 James Levine conducts Don Giovanni, with a cast including Ferruccio Furlanetto and Ruth Ann Swenson, also Sat matinee. Tomorrow and Sat evening: Die Zauberflöte (362 6000)
New York State Theater 20.00 Guido Ajmone-Marsan conducts La traviata, with Gail Dobish as Violetta, also Sun matinee. Tomorrow: Madama Butterfly. Thurs: Die Soldaten. Sat: American premiere of The Mother of Three Sons, dance opera with music by Leroy Jenkins (870 5570)

■ PARIS

MUSIC AND DANCE

Théâtre de la Ville 20.30 Sweet Temptations, new dance work by Jan Fabre, music by Iggy Pop, also tomorrow. Fri and Sat: Studio DM in choreography by Catherine Diverres (4274 2277)
Salle Gaveau 20.30 Bernard Calmel conducts the Ensemble Orchestral de Paris in Roussel's Sinfonietta, Falla's El Amor Brujo, Haydn's Seventh Symphony and Mozart's Piano Concerto K313 with Clara Novakova (4953 0507). Tomorrow and Thurs in Salle Pleyel: Semyon Bychkov conducts the Fifth Symphonies of Beethoven and Shostakovich (4563 0796)

THEATRE

Cartoucherie Théâtre du Soleil Euripides' Iphigenia in Tauris staged by Ariane Mnouchkine. Runs till Dec 5 (Rte du Champ-de-Manoeuvre, 12e. 4374 2408)
Espace Pierre Cardin Mothers, dramatic monologue by Arnold Wesker (1982) directed by Patrice Kerbrat, with Josiane Stoléru. Runs till Dec 5 (1-3 ave Gabriel, 8e. 4265 2741)
Marigny La Dame de chez Maxim's, archetypal French farce by Feydeau, directed by Bernard Murat. Runs till Dec 31 (Carré Marigny, 8e. 4256 0441)
Théâtre de l'Est parisien Chekhov's Uncle Vanya, directed by Pierre Debauche. Runs till Nov 10 (159 ave Gambetta, 20e. 4364 8080)
Théâtre de Gennevilliers Shakespeare's As You Like It, directed by Marc François in Salle I; Stéphane Braunschweig's production of Sophocles' Ajax in Salle II. Runs till Nov 3 (41 ave des Gresillons, Gennevilliers, metro Gabriel-Peri. 4793 2630)
Odéon Théâtre de l'Europe Le Temps et La Chambre: Botho Strauss' play is directed by Patrice Chéreau. Runs till Dec 15 (4325 7032)

■ PRAGUE

This week's concerts at the Smetana Hall include performances of Carmina Burana tonight and tomorrow, with the Prague Symphony Orchestra conducted by Petr Altrichter (Prasne brany 2, 232 5858). On Thurs and Fri, Jiri Belohlavek conducts the Czech Philharmonic Orchestra and Chorus in Verdi's Requiem (231 9164). The National Theatre repertory includes Lucia di Lammermoor tonight, Smetana's Dalibor tomorrow and The Bartered Bride on Thurs. The Smetana Theatre has Cosi fan tutte on Thurs and La traviata on Fri. Pre-booking at city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 38, 228714) and theatre box offices.

■ VIENNA

Staatsoper 18.00 Heinrich Hollreiser conducts Tannhäuser, with a cast led by Toni Krämer, Wolfgang Brendel and Sharon Sweet. Tomorrow: Boris Godunov (51444 2960)
Konzerthaus 19.30 Peter Serkin gives a recital in memory of his father Rudolf, including Bach's Goldberg Variations and Oliver Knussen's Variations. Tomorrow and Thurs: Rafael Frühbeck de Burgos conducts the Vienna Symphony Orchestra (7124 6860)

■ WASHINGTON

MUSIC AND DANCE

Kennedy Center Opera House 20.00 Kirov Ballet opens a two-week season with Swan Lake Act II, Lilac Garden and Paquita, repeated tomorrow and Thurs. Fri, Sat and Sun: Giselle (467 4600)
Terrace Theater 19.30 Song recital by the tenor John Aler, accompanied by Michael Cordovana. Tomorrow: I Solisti di Zagreb. (467 4600)

THEATRE

Will Rogers USA: a charming portrait of the American humourist by James Whitmore, directed by Paul Shyre. Runs till Nov 3 (Fords Theater, 511 10th St. N.W.)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

Eurosport
0600-0630 International Business report

CNN
0730-0800 Moneyline
1230-1300 Business Morning
1330-1400 Business Day
2000-2030 World Business Today – a joint FT/CNN production with a review of business stories
2300-2330 World Business Today
0100-0130 Moneyline

Superchannel
2130-2200 (Tues) East Europe Report – weekly financial report from FTTV.
2130-2200 (Wed) FT Business Weekly - the latest round-up of business news with James Bellini and Debbie Middleton.
2130-2200 (Thurs) Talking Heads

Sky News
1200 International Business Report
1130, 1730, 2130, 0430, 0530 (Thurs) FT Business Weekly

SATURDAY

CNN
0730-0800 Moneyline
0900-0930 World Business This Week: - a joint FT/CNN production
1540-1610 Moneyweek
1900-1930 World Business This Week
2110-2140 Your Money

SUNDAY

Superchannel
1800-1830 FT Business Weekly

Sky News
1330, 1630, 2030, 0030, 0230 FT Business Weekly

CNN
0710-0740 Moneyweek
1340-1400 Inside business
1540-1610 Your Money
1800-1830 World Business This Week
1940-2000 Inside Business

FINANCIAL TIMES
NUMBER ONE SOUTHWARK BRIDGE, LONDON SE1 9HL
Telephone: 071-873 3000 Telex: 922186 Fax: 071-407 5700

Tuesday October 15 1991

The security of Europe

IT IS the security environment of the European Community which is most obviously and radically changed by the collapse of communism in the Soviet Union. Yet the policy and institutional conclusions in this field are proving difficult to draw.

Security is traditionally defined in terms of military threats, and military arrangements to counter them. In western Europe, for 40 years before 1989, a single threat – Soviet military power – was seen as by far the most serious; and the Atlantic alliance, designed to counter it, was the dominant security structure. The EC grew up within that framework, but was not formally related to it. Economic integration formed the basis of European unity, while military integration was pursued in the broader Atlantic framework. The result has been a constant tug of war between the two. When the Soviet military threat seemed most serious the Atlantic relationship predominated; when it seemed to diminish, economic concerns took command and "Europe", represented by the EC, stood apart from, sometimes opposite, the US.

As the Soviet threat has diminished spectacularly, the concept of security has broadened: it can be affected not only by straightforward military threats but by a whole gamut of economic, social and political developments.

Potential threats

Also, the diminution of the Soviet threat has allowed Europeans to pay more attention to potential threats from other quarters: the Middle East and North Africa. Some of these threats crystallised into a military challenge last year. There too American leadership was found to be essential in organising a military response. But by and large the problems of the Arab world, like those of eastern Europe, call for political and economic prevention rather than military "cure"; and for those tasks the EC with its political superstructure seems better qualified than the Atlantic alliance.

So the EC has acquired a security role in the broad sense, but not a military one. Some of its members, led by France, see this as a contradiction. They argue that the Western European Union, if it is to develop as the concrete expression of Europe's defence identity, must do so explicitly as the military arm of the EC. Others, led by Britain, are more concerned that it should be clearly situated within the alliance. Meeting in the Cotswolds last Sunday, the foreign and defence ministers of France and Britain found they could agree quite easily on concrete measures to strengthen the WEU in the immediate future. It is the long-term perspective, and especially the language in which the treaty on European political union should describe it, that still divides them.

Collective strength

Both sides are right. It is indeed logical, when a group of states form a community or union with a "common foreign and security policy" that they should place their armed forces jointly at the service of that policy. But it is equally logical that in doing so they should proclaim their desire to strengthen collectively an alliance to which they already belonged individually.

Neither France nor any other European member of the alliance is ready to dispense with it, or wishes to see the US renounce its interest in European security. The French dislike the idea of Nato acquiring a role in eastern Europe, but they are not urging the EC, or the WEU, to get involved there militarily either. A remodelled Nato will remain, for the moment, the key military structure in western Europe, and the one to which the rest of Europe must relate.

That means that if the WEU is to have more than a marginal role it will have to help co-ordinate a more effective European contribution to Nato as well as occasional European actions outside the Nato context. There should be no contradiction between that and its acting as the instrument of a common European security policy, since the European Union, now being built on the foundations of the EC, will be an ally and not an adversary of the US.

This is the fourth of a series on the future of the EC.

Privatising British Rail

NO GOVERNMENT since the war has known how to give Britons the railways they want; the most powerful argument for privatisation is that it could initiate the kind of jolt that successions of transport secretaries and British Rail chairmen have failed to deliver.

The present government says it favours privatisation and therefore, presumably, a more hands-off attitude to the railways. Yet last week it kicked out British Rail's plans for a high-speed line between London and the Channel tunnel; this week it is dictating where, and by how much, BR will be able to raise its fares; all the while, it exerts direct control over BR's investment programme by forbidding the corporation to borrow from any source other than the Exchequer; and still the trains do not run on time.

It is now three years since the government first advocated BR's privatisation. But ministers apparently remain paralysed by indecision about how this goal is to be achieved.

The underlying justification for privatising BR is much the same as that for privatising other public utilities: to benefit consumers by creating the conditions for efficiency and innovation; including better-motivated managers and staff. In rail's case, there can only be a limited prospect of stimulating direct competition.

But whereas the guarantee of respectable profits for shareholders has enabled other utilities to sail smoothly into the private sector, BR's privatisation has been stymied by the realisation that the corporation is irredeemably unprofitable. Even after subsidies of almost £700m last year, the corporation turned in a pre-tax loss of £93.1m.

Unfair competition

One reason why BR makes losses is that it faces unfair competition from roads, which are virtually free at the point of use: drivers pay little to use them and do not contribute to the costs of congestion, accidents or the environmental damage they inflict. So long as this is true, any attempt to privatise BR wholesale looks doomed.

A danger this presents is that ministers may succumb to deregulation as a substitute. Mr Malcolm Rifkind, the transport secretary, set out some of the options at the Conservative party conference last week, advocating the ending of BR's monopoly by allowing new operators to introduce their own passenger and freight services, using their own locomotives and crews.

Superficially, this is an attractive course: competition is an essential ingredient of efficiency and innovation. But to introduce it in this piecemeal fashion is to run the risk of undermining the profitability of remaining services, thus further delaying their eventual privatisation.

Radical reforms

BR is already moving towards one possible mechanism for privatisation. Having divided its operations into five sectors (InterCity, Network SouthEast, Regional, Railfreight and Parcels) for marketing purposes, it is now in the process of introducing accountability by dividing its railway lines, staff and rolling stock among the sectors to form five essentially independent businesses.

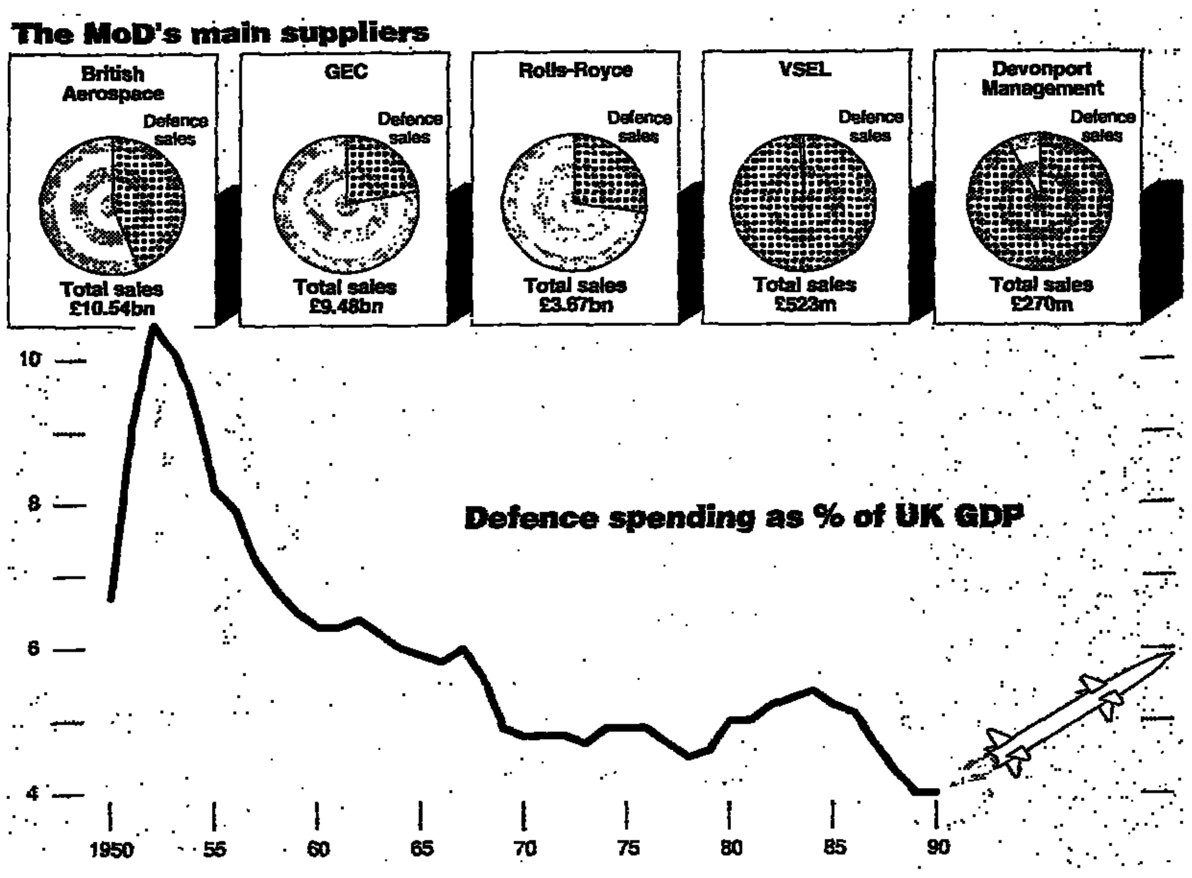
In theory, each of these could be sold off as they became profitable. But in reality, given the competition from the roads, they are unlikely to deliver returns high enough to satisfy the private sector.

The European Commission is toying with more radical reforms. Enamoured of the potential which railways offer for the easing of Europe's congestion, it wants ownership of the track infrastructure to be separated from ownership of the trains – just as it is for cars and roads, aircraft and airports, and ships and ports. BR, SNCF or any other public or private operators would then be free to run their trains over any tracks in the EC.

If this could be achieved, it would open the way for train operators to be charged for the use of tracks in just the same way as road users and airlines may or may not be charged for the use of roads and airports. This looks the most promising way forward for a privatisation which should remain firmly on the agenda.

UK defence contractors face a financial squeeze as east-west tension evaporates. David White examines the uncertain outlook

Arms makers hit by planning blight



There are few certainties in the defence business nowadays, but one is that it will get smaller. Wars have not gone away, but the east-west confrontation on which perhaps half the world's military spending has been based has faded. The world arms export market is in decline.

Whoever governs Britain in the next few years, UK arms contractors face progressive reductions in the defence budget in real terms. Current plans, the subject of a two-day debate in parliament, foresee a 6 per cent drop over three years. Defence's share of gross domestic product is slipping below 4 per cent and is expected to fall to 3 per cent in the mid-1990s, still more than most Nato countries spend now, but the lowest figure for Britain since the mid-1930s.

The armed forces and civilian defence staff are being cut by a fifth. But the implications of the Ministry of Defence's Options for Change exercise on equipment and support industries will take longer to emerge.

In the short term, a financial squeeze is in prospect unless the MoD obtains extra cash from the Treasury to add to the £23.35bn budget provision for the next financial year. To meet the costs of reducing forces and rationalising bases, the expenditure area most likely to suffer is the £9bn equipment budget. Mr Tom King, defence secretary, has said his aim is "roughly" to maintain the level of procurement spending over the next few years. But Mr Brian Lowe, director-general of the Defence Manufacturers' Association, reckons on an 11 per cent reduction in real terms between now and 1996.

About 450,000 industrial jobs in the UK depend directly or indirectly on MoD contracts. Since the Options for Change study was announced early last year, cuts revealed by MoD suppliers already amount to some 40,000 jobs, not counting the knock-on effect on sub-contractors.

The period since early 1990 has seen

The UK has led the way in Europe in promoting competition: but there are ever fewer defence contracts to compete for

sporadic cuts in equipment programmes. A final batch of Tornado jets was cancelled. A project for a new RAF anti-armour weapon was blocked. Requirements for navy frigates were scaled down. The latest class of diesel-electric submarines was stopped at the fourth boat and plans for a totally new class of nuclear-powered submarine were abandoned. An order for up to seven more minehunting vessels was shelved. The government finally opted for the British Challenger 2 tank, but numbers were cut to 140, a quarter of what was originally expected, and the date for having the tank in service was put back a year to mid-1994. Purchases of Warrior combat vehicles are to be reduced by up to a third. And Britain has told France and Germany it no longer wants an equal share in the long-range Trigat anti-tank weapon.

Projects still awaiting decision include the Advanced Short-Range Air-to-Air Missile, competing against cheaper adaptations of French and US missiles. This would be one of the main armaments of the European Fighter Aircraft (EFA), and the decision is crucial to British Aerospace's future in guided weapons.

The real disaster for BAe and numerous other UK and European defence contractors would be the collapse of the EFA project, £25bn worth of Anglo-German-Italian-Spanish collaboration. Germany's new armed forces chief, General Klaus Naumann, recently raised fresh doubts about the country's willingness to continue financing the programme beyond the present £8bn development stage. The UK and Italy, at least, remain firmly committed. But even if it goes ahead, a delay in the programme looks increasingly probable.

These worries are not new. European defence industries have been grappling with the combined implications of restricted budgets, the high cost of new technology and the size advantage enjoyed by US competitors. In the UK, the sector has undergone extensive restructuring since the privatisations of the 1980s, affecting aerospace, shipyards, munitions and the running of state-owned dockyards. The last state defence manufacturing activity, nuclear warheads, is being progressively transferred to private contractorship.

Of the five groups listed as doing more than £250m worth of business annually with the MoD, four are the products of privatisation: BAe; the Rolls-Royce aero-engines and naval propulsion group; submarine and artillery builders VSEL; and DML, the company formed to run Devonport dockyard. GEC is the one exception.

As in France, Germany and Italy, the industry has become increasingly concentrated, accentuating the predominance of BAe and GEC, which has in the past two years swallowed up key parts of what used to be its two main rivals in defence electronics, Plessey and Ferranti International. Defence accounts for less than half of BAe's sales and only a quarter of GEC's, but in both groups it provides an industrial core and a crucial earnings source. In GEC's case defence contributes about a third of profits; trading profit from BAe's defence systems in the first half of this year were £278m, £60m more than for the group as a whole.

The guarantee of safe profits in defence has, however, been eroded by the regime of fixed-priced contracts enforced by Sir Peter Levene in his six years at the head of the MoD's Procurement Executive. The policy, placing the financial risk squarely on the contractor, was copied from the US. But the US Defence Department has now switched back to paying the full costs of the development phase of new projects, which it found was being squeezed too much. Sir Peter stuck to his guns: "We're right and they're wrong." But British contractors sense a gradual shift in approach under his successor Mr Malcolm McIntosh, an Australian who believes in the UK's need to maintain a strong research and development base.

The UK has led the way in Europe in promoting competition for defence contracts; the problem is that there are ever fewer contracts to compete for. Domestically, many defence sectors cannot support more than one producer. Prospects for opening up GEC's national monopoly in torpedoes were wiped out when GEC took over Plessey's naval business. When GEC bought Ferranti's airborne radar operations it created a near-monopoly in that sector too.

Foreign involvement in the UK has been increased through Boeing, which is supplying early-warning aircraft, and most recently through IBM which, to the dismay of BAe and GEC, was awarded the contract to manage the supply of EH101 anti-submarine helicopters for the navy.

However, the scope of British-led initiatives to break down protectionism in defence trade between European Nato allies has so far been limited. Supply of components has become internationally quite competitive, but the pattern of big purchases has changed little in recent years. About 75 per cent of MoD purchases come from British companies, 15 per cent from collaborative ventures, and 10 per cent from abroad.

As the number of programmes dwindles, so the political pressure increases for keeping them in national hands as work providers. Vickers' US and German competitors are convinced that was why it won the Challenger 2 tank contract.

A recent report by the US Congress's Office of Technology Assessment found that "military procurements ... both in the US and Nato Europe are tending increasingly towards domestic suppliers".

Having less money to spend should logically push European countries towards more collaborative ventures like the Anglo-German-Italian Tornado jet or the new Anglo-Italian EH101 helicopter, to pool development efforts and achieve viable production runs. But conflicting national interests and requirements are putting collaboration under strain. Several projects involving the UK – including a four-nation attack helicopter and a Nato frigate – have fallen through.

Contractors themselves have been setting up alliances to secure positions for the next generation of weapons: GEC-Ferranti with Thomson-CSF of France in airborne radar; BAe's Royal Ordnance subsidiary with Germany's Rheinmetall and France's Giat Industries in tank guns; Hunting of the UK with Giat in anti-armour weapons; GKN with Giat in medium armoured vehicles.

National favouritism in defence procurement, as Sir Peter Levene has argued, could be overcome by the formation of genuinely multinational groups. Professor Sir Roland Smith, the former BAe chairman, was two years ago predicting a wave of cross-border mergers and takeovers. "Unless individual European governments take it upon themselves to interfere with the progression of market forces," he said, "I cannot see more than three or four major European players in the European defence equipment industry by the mid-90s."

But it is not yet happening. Cross-border acquisitions, such as Royal Ordnance's purchase of the German small arms company Heckler und Koch, remain the exception. The French, after losing out lately in the export race, have been the most expansionist. Thomson-CSF has absorbed most of Philips' military interests; in the UK it fished for Ferranti but has caught only smaller fish – the simulator maker Link-Miles and half-stakes in Ferranti's sonar operations and Pilkington's defence side. Its plan to set up a joint big-league missile venture with BAe collapsed. Matra and GEC have meanwhile pooled most of their space activities, and Aérospatiale is setting up a joint helicopter company with MBB, part of Germany's Daimler-Benz. But most of the consolidation has taken place within national borders.

Defence mergers and acquisitions, in any event, have ceased to be a thriving activity. Even two years ago, Thorn EMI and Racal both failed to obtain good enough offers when they tried to sell their defence operations, a relatively small part of their activities. With Racal Electronics now facing a hostile takeover bid from Williams Holdings, there is renewed talk of it selling its radar activities.

But few companies are prepared to take on extra defence activities. "There are too many sellers, and no buyers," said a UK merchant banker.

In some sectors, overcapacity is an understatement – four UK shipyards still depend on navy orders. It has long been clear there would never be enough orders to go round. Britain has five companies making armoured vehicles that run on tracks. Germany has three, and France two.

Companies heavily reliant on defence have found the scope for direct conversion into civilian sectors limited. In high-technology areas they are often too specialised.

Up to the Gulf crisis, aerospace groups such as BAe, Rolls-Royce and Smiths Industries were confident that civil aviation orders would offset declining military business. But the Gulf war not only failed to alter the trend for defence; loss of passenger traffic also severely damaged the manufacturers' airline customers.

Shrinking home demand has made arms exports increasingly vital for contractors to achieve economies of scale. But competition has intensified, especially from US companies in the Middle East.

Friction has begun to erupt between UK companies abroad, with British shipyards accusing each other of the kind of disinformation campaigns habitually ascribed to the French, and some of BAe's partners in the £20bn Al Yamamah deal in Saudi Arabia complaining that their products are not getting enough priority.

When and whether more equipment orders will materialise from the Al Yamamah agreement is still unpredictable. At the time the second stage of the government-to-government deal was signed three years ago, it seemed an extraordinary bonus for the UK arms industry. It is a sign of the times how essential it has become for them.

OBSERVER

Play it again, Dave

■ The annual autumn battle by Britain's government departments for taxpayers' money, alias the public spending round, is traditionally the nearest Whitehall comes to an all-out brawl. But this year, thanks to the music-loving Chief Secretary to the Treasury David Mellor, it has resembled a genteel dance.

Whereas his predecessors were wont to summon the cabinet's "Star Chamber" to settle disputes with ministers heading spending departments, Mellor has conducted the round like a chamber concert. He even held to his pianissimo approach by refusing to continue negotiations during last week's Tory conference – a far cry from the days when John Major's conference hotel room was known as "the slaughterhouse."

Although the Treasury is muted, to say the least, about the likely results, Observer has managed to provide a clue by finding out the music Mellor played to himself during the round.

Mozart was his choice at the outset, giving place to Wagner as face-to-face confrontations loomed. But with the programme nearing its finale yesterday morning, Mellor's Treasury stereo had switched mood to Finland's Sibelius – as overture, perhaps, to an icy winter ahead?

Birthday boy

■ Happy birthday to Hermann Josef Abs, the grand old man of German banking for as long as most people can remember, who is 90 today.

Abs, honorary president of Deutsche Bank, has long grown used to being called a living legend, the greatest German banker of the century, and receiving sundry other plaudits relating to his cultural as well as banking activities.

With the calm manner of a country squire, impeccable manners, a sharp wit, and an almost infallible memory undimmed by the decades, Abs played a key role in West Germany's post-war economic reconstruction. He helped create the Kreditanstalt für Wiederaufbau (Reconstruction Loan Corporation), through which Marshall Aid was channelled, and led the delegation which renegotiated the country's foreign debts in London in the early 1950s.

His reputation is not unalloyed, however. Though never in the Nazi party, he was a senior member of the economic establishment in the Hitler years, having joined Deutsche Bank's board in 1937. Briefly interned after the war, he found more favour with the British than the Americans, who disliked his wartime banking activities. Today, Abs still shows up at the bank and keeps a close interest in its affairs. But he no longer puts in the full 4,000 hours a year.

Winning streak

■ Wales may be pretty useless at rugby. But when it comes to attracting foreign investment, Welsh Secretary David Hunt seems to be doing a better job than his predecessor, Peter Walker, in converting the tries.

Dow Corning's £150m upgrading of its silicone plant at Barry is just the latest victory and followed a late-night Hunt phone call. "Larry Reed, Dow Corning's chief executive, rang back the next day to say I had got through just an hour before the meeting with a vital piece of information which virtually clinched it for Wales," the beaming Welsh Secretary claimed yesterday.

Hunt has had a great year. Companies like Canada's

"He's been asked to return his regimental moustache."

Northern Telecom, Philips Plastics of Wisconsin and Convatec of Princeton, NJ, have boosted inward investment to over £800m since April, more than the £580m in the whole of last year. Today he will be on the field again in Stuttgart, and he may well put in a guest appearance at tomorrow's Germany and Wales soccer international. The Welsh are one up and need to compensate for last Saturday's humiliation at the hands of the Aussies.

Crestfallen

■ John St Lawrence, named to take over the chairmanship of the financially stretched Crest Nicholson building group, is far too polite to point the finger at the multi-faceted David Donne, who steps down in January after 18 years at the helm. But he has no intention of following Donne's example of collecting a string of directorships and chairmanships when he retires from Reckitt & Colman.

Unlike some of his peers the 61-year-old St Lawrence, a career Reckitt man, has no aspirations about making his name as a professional non-executive director. Crest Nicholson will be his sole non-executive responsibility. Given the current strain on the group's balance sheet, and the need to restore confidence amongst Crest's nervous investors and bankers, this is no bad thing. Nevertheless, he could have chosen a less risky retirement job.

Early breakfast

■ An unexpected fax yesterday from the Independent Television Commission. Sunrise, the consortium that groups London Weekend Television, Scottish, The Guardian and Disney, had outbid the incumbent TV-am for the lucrative breakfast TV slot. Or had it?

Closer inspection revealed that ITC chairman George Russell's signature was missing, nor did it have the official stamp or code number. "A very strange hoax. They didn't even bother to send it to us," says Hugh Pile who co-ordinated the Sunrise bid.

As for the hoaxer – could it be one of TV-am's staff disgruntled at journalists' predictions that Sunrise will be the winner when the results are announced tomorrow?

The pits

■ Try as they might, actuaries seem incapable of making their profession sound fun. Witness the latest exciting read on Britain's contribution to the rebirth of the Polish actuarial profession, tucked away in October's Actuary magazine.

Although the intensive summer school held in Warsaw was hard work, it says, there was "time for enjoyment". And what was the most memorable moment for the British contingent, when they were "letting their hair down"?

A three-hour trip down a salt mine....

Banking crisis echoes in the north

Karen Fossli and **John Burton** report on Norway's problems, shared across most of Scandinavia

The crisis afflicting much of the Scandinavian banking sector passed a significant threshold yesterday, as Norway's government was forced to make public pledges of its determination to keep the country's banking system intact.

The announcement was part of a series of measures promised to avoid declaring Christiania Bank, Norway's second biggest bank, technically insolvent. That in itself would have been significant enough. But it was also a sign that, for the Nordic banking sector as a whole, things are more serious than earlier believed.

The crisis at Christiania Bank has been brewing for five years. It came to a head over the weekend as Christiania's board told government officials that the bank's share capital might have been wiped out by loan losses revealed in the third-quarter accounts.

The drop in the price of oil from its peak in the early 1980s, the collapse in Norwegian property prices, and the country's record bankruptcies have conspired to push all three big banks – Den norske Bank (DnB), Christiania Bank and Fokus Bank – into difficulties. In the past year the market capitalisation of the commercial banks has plunged from NKr7.4bn (£648m) to an estimated NKr2bn.

A year ago, the stock market valued Christiania at NKr3.4bn. Before the weekend's events, it was valued at only NKr407m.

Earlier this year the government established a NKr5bn Bank Insurance Fund but this has been half-emptied by rescue packages already given to Christiania Bank and Fokus Bank, the third-biggest bank.

Mr Per Ditlev Simonsen, the chairman of Christiania's board, says that the bank's third quarter losses stem from a sharp drop in the value of its real estate portfolio, and a fall in the value of its equity holdings. The number of non-performing loans is still at a very high level, he says, and there are substantial restructuring costs.

In August an investigation by the Oslo bourse suggested that the bank's former management might not have reported credit losses at the appropriate time. This might have given an inaccurate picture of Christiania's financial status in the 18 months to June 1991.

A bourse official who led the investigation said the former management had ignored advice from internal auditors on the reporting of credit losses.

"The paradox with Christiania's situation is that after the current crisis and the measures to be taken by the government, the bank will be significantly strengthened," Mr Ditlev-Simonsen said yesterday.

But, he said, the fate of the bank's future is in the hands of the government and the Storting, Norway's parliament. "There is no indication that the government wants to administer Christiania but this is up to the government and the Storting," he said.

The central bank promised yesterday that it would "continue to ensure a sufficient supply of liquidity to Christiania Bank and the banking system in general".

Mrs Tove Strand Gerhardsen, acting finance minister, said that the government would take the measures necessary to strengthen Christiania Bank and secure confidence in the Norwegian banking system.

Next week the government is expected to propose a number of measures to strengthen the banks, including further cash for the Bank Guarantee Fund.

Analysts think that the government will probably inject a further NKr5bn into the fund but they say this is unlikely to be enough. Another probable step is a cut in subsidies to the postal giro payments system, to make the banks' own payments system more competitive and reduce their NKr3bn estimated annual loss on processing payments. Tax concessions to purchasers of bank shares are also possible.

Christiania's critical situation has had unhappy consequences for the country's other banks. DnB, for example, is planning a rights issue in November to expand its capital by NKr2.2bn. Yesterday DnB said that it is not aware of any circumstances indicating that it will not meet Norway's capital adequacy requirement of 5.6 per cent by the end of this year, "even without the infusion of external capital".

Both Christiania and Den norske Bank sought the backing in June of Uni Storebrand, Norsk Hydro and Statoil, three leading Norwegian companies, to guarantee planned strengthenings of capital.

NORWEGIAN BANKS

Den Norske Bank

Pre-tax profit/loss (NKr million)

1986	1,461
1987	-228
1988	972
1989	353
1990	-503

Fokus Bank

Pre-tax profit/loss (NKr million)

1986	213
1987	-128
1988	-99
1989	117
1990	-1,015

Christiania Bank

Pre-tax profit/loss (NKr million)

1986	391
1987	340
1988	390
1989	636
1990	-1,797

The three companies agreed to support DnB, but refrained from extending a helping hand to Christiania, because the bank could not meet their commercial criteria.

The great fear is that the crisis will lead to a tougher lending policy and more bankruptcies

Norway's banking problems, though more acute than those in other Scandinavian countries, have echoes elsewhere in the region. In recent weeks:

- The Bank of Finland was forced to take over the administration of ailing Skopbank, the central bank for the country's savings banks.
- Dr Jaakko Lassila, president of Kansallis-Osake-Pankki, Finland's largest bank, resigned after the bank suffered losses on controversial transactions.
- In Sweden, the state-owned Nordbanken, the country's second-largest bank, shocked analysts when it disclosed that it would post a pre-tax loss of SKr6.6bn (£620m) for 1991, the largest ever recorded by a Swedish bank.
- Gota Bank, another big Swedish bank, also disclosed that it would probably not make a profit for the year.

Only Danish banks appear to have successfully weathered the storm, with prospects that profits will improve this year.

The banking crisis has its origins in the financial deregulation that swept the region during the 1980s. The purpose behind deregulation was to make the region's banks, which were over-protected and isolated from competitive pressure for decades, more efficient in anticipation of the integration of financial services throughout Europe.

The banks, breathing the heady air of liberation, vastly expanded their lending – and their risks. But risks appeared minimal during the 1980s. Tax breaks encouraged borrowing, and banks were willing to lend as property prices rose sharply.

Since then, however, the recession that began in Norway and has spread to Finland and Sweden has exposed the weaknesses of the banking system.

One problem was that the banks, accustomed to an over-regulated banking system, lacked proper internal controls on lending. It was sometimes possible for borrowers to secure loans from various branches of the same bank without the central office keeping tabs on the total amount of credit. In addition, some loans lacked adequate collateral or none at all.

Government agencies often did not have the resources and power to supervise banking lending, while there are few controls to check the credit-worthiness of borrowers, such as a mandatory credit rating system.

The collapse of the property market in the region led to growing credit losses, since the binge in lending had concentrated on property and mortgage financing companies.

One initial response by the Nordic banks to the looming crisis was a furious round of bank mergers. The aim was to cut costs by reducing large staffs and branch networks. But this exacerbated losses in some cases. Not only were profits depressed by rationalisation costs, but the bigger entities, such Nordbanken and Christiania, were saddled with a heavier load of bad debts.

The great fear is that the bank crisis will lead to a tougher lending policy that will result in a consequent increase in corporate and personal bankruptcies and further losses for the banks. This development is already apparent in Norway, where lending volume has been contracting.

But the Nordic governments are displaying increasing willingness to intervene to avoid a repeat of the 1930s scenario of deflationary policy and tottering banks pushing the economy into a depression. What remains unclear is the size of the rescue operation, particularly in Norway and Finland, where the problems are the most severe.

Government intervention, however, can only be a stop-gap solution. Recovery for the banks will only come with an improvement in the economy, which will stabilise property prices and lead to lower credit losses. But this is not expected to happen until 1993 at the earliest.

Joe Rogaly

Despise and consent

Yes, it could happen here – one day. The sheer battiness of the Clarence Thomas affair is perhaps unique to the United States, but a review of the method of appointment of judges to the European Court of Justice should be a part of the continuing debate on the development of the European Community.

The obvious differences between the courts in Luxembourg and Washington obscure the important similarity. Differences first. Europe is unlikely to evolve into an exact replica of the pan-continental Athenian assembly of citizens we have seen in operation in the US. The Americans have a single language, national network television, and an efficient system of voter pressure on their senators. This has enabled them to work themselves into a collective frenzy over whether Mr Thomas is qualified to sit on the US Supreme Court.

From what is known of his judicial record, he is not. That should be the end of it. The US debate has, however, been conducted on other grounds. Mr Thomas is black, but to liberals he is the wrong kind of black. He is, in the American sense of the word, conservative. He may or may not have made advances to a female employee; if he did, in the manner she says he did, he showed poor judgment of what constitute the honeyed phrases most likely to turn a maiden's head.

In short, he has been caught in the cross-currents of contemporary US political debate. This extreme manifestation of the democracy of the arena could hardly be more potent if every American home were connected via satellite to a national scoreboard, with the power to punch "thumbs up" or "thumbs down" into the transmitter. Europe is too diverse for anything like it to happen here. The tribulations of Judge Thomas are purely the Americans' affair.

Something more fundamental should concern us. For underlying the melodrama in the US Senate is the permanent divide between those who see the Supreme Court as a technical body, whose duty is to stick to the literal text of the constitution, and those who see it as an independent quasi-legislative force, ever extending its deliberations into fresh areas of national concern. Which is the European Court to be?

This argument will never be settled, here or there. One of the first Americans to express disapproval of what he saw as the usurpation of power by the US Supreme Court was Thomas Jefferson, the third president of the then relatively disjointed young federation. As with the European Court in its first 40 years, the Supreme Court initially concentrated on defining matters of commercial detail. Only gradually did it adopt the strategy of so interpreting the constitution that federal power was rapidly enhanced.

Two centuries later, the US court carries such legislative

Should Europe's Court be a technical body or a quasi-legislative force?

potency that every president seeks to alter its political balance. American liberals – the left in their terms – dominated proceedings in the 1950s and 1960s; the subsequent appointments by Presidents Nixon and Reagan have turned the scales. The pre-Reagan court was inclined to extend government competence in social issues; today's court might reverse that trend. In 1987 the left struck back by persuading the senate to overturn the nomination of Judge Robert H. Bork, a perfectly well-qualified conservative. Not long afterwards, the ill-qualified conservative Judge Douglas Ginsburg was obliged to withdraw.

Meanwhile, the European Court is creating its own mountain of precedent and case law. The burden of deciding technical matters like customs tariffs was quickly lifted from the shoulders of the first Washington judges; only recently this precedent was followed in Luxembourg by the establishment of the lower Court of First Instance, set up to free the European Court to pursue loftier matters than minor squabbles about trade and competition.

British politicians who regard the idea of a European federation with scepticism usually complain that the European Court has a pro-Community bias. It has. It is in-built. The founding treaties express the objectives of the EC in broad terms, leaving the court the job of interpretation. That interpretation is inevitably influenced by the underlying assumption that the EC treaties will one day lead to an economic and political union.

Thus on employment and pensions policies – to take but two recent examples – the court has adopted a federally creative, rather than a "states rights" approach. It has gone further. European Commission directives are supposed to wait for national parliaments to enact them into law. The European Court has decided that an individual can successfully sue his or her national government for disobeying the Commission's ruling whether or not that government has incorporated the relevant directive into its own law.

Against that, the Luxembourg Court has ruled against an extension of the European Parliament's power. It has also obliged the Commission to co-operate with the Dutch national courts after it had declined to do so. So you could argue that the court is itself divided, between moods in which it rules for an extension of EC power and moods in which it is severely impartial in assessing power struggles between organs of the EC.

This works well enough today, but if the proponents of a growth in supra-national authority have their way it may have to be changed. The judges are at present appointed by the member states, which fits the concept of an EC that is little more than the sum of its nation-state parts. Sooner or later nations will want to influence outcomes by being more choosy about their nominations. Then the European Parliament will want to scrutinise potential new judges. Sooner or later, Europe will have take its first step towards its own, more discreet, version of the Clarence Thomas affair.

LETTERS

Racal and the US Air Force

From Mr Thomas P O'Mahony.

Sir, In your article concerning Racal's Scope Shield Phase II contract awarded by the US Air Force ("US military breakthrough by Racal", September 25) there were three statements made by Racal and reported by you which we would wish to clarify.

The report says that "the ESD (electronic systems division) is being kept informed of the Racal bid (Williams Holdings' bid for Racal)". HQ ESD has not received any special information on the Williams bid. Public news sources have been the sources of information for HQ ESD; the USAF has not received any inside information.

The report also states that "Mr Elsbury (Racal's chief executive) said the Scope Shield II contract had been accelerated after existing military radio had proved unreliable during Operation Desert Storm in the Gulf". HQ ESD never stated that existing military radio systems were unreliable during Operation Desert Storm. In addition, ESD never mentioned that the Scope Shield II contract was accelerated.

With reference to Racal's statement on the number of bases it will supply, the US Air Force has not stated how many USAF bases the Racal equipment will supply, either initially or in the future.

Thomas P O'Mahony,
program director,
Air Base Decisions System,
Department of the Air Force,
Headquarters Electronic Systems Division (AFSC),
Hanscom Air Force Base,
Massachusetts 01731-5000

City of London's continued right to exist, but doubtful need for two tiers

From Messrs P P Rigby and M J Cassidy.

Sir, Your readers must have been astonished to see that 800 years of history could be swept aside in just two sentences in your leader "A Mayor for London" (October 11).

The Corporation of London and its Lord Mayor have centuries of tradition and service to the capital to support their continued right to existence as the local authority for the City. Why, after all, has the City of London continued to thrive as the premier financial centre in the world if not for support from an effective and responsive non-party political local authority dedicated to the needs of those who live and work within the Square Mile. Amalgamating the corporation with its surrounding boroughs would fundamentally alter the unique relationship between the business City and its own local authority and would result in policies which are designed to further London as a financial centre being diluted by political considerations which now dominate decision-making in those surrounding boroughs.

Equally alarming for the business City would be the prospect of their contribution to business rates being diverted to purposes way beyond the present criteria and, very likely, the amount of that contribution being significantly increased.

In condemning the City of London in comparison with other cities for having only 5,000 residents you totally ignore the massive contribution which the corporation makes through its close liaison with its business rate payers yet at the same time providing a superior service to its residents than some surrounding boroughs. Destroying the basis of that successful record jeopardises the very purpose which lies behind your hopes for the capital. For the Financial Times to take this position is lamentable as well as surprising.

P P Rigby, chairman,
M J Cassidy, deputy chairman
policy resources committee,
Corporation of London,
Members' Room,
Guildhall,
London EC2

From Ms Margaret Hodge.

Sir, I welcome your commitment to the concept of elected strategic government for London, but doubt the need for the the dual-tier of government which you suggest.

The old boundaries of the Greater London Council are probably the best ones on which to base a new Greater London Authority.

The inner London authority you suggest may have been appropriate when London was smaller in the early days of the London County Council, but London has expanded and the outer suburbs experience many of the same problems as inner London.

The integration of our buses, tube and rail services across a wider area than inner London would be essential, as would the economic development of the capital in order to prepare and train our labour force for the changing city of the 1990s.

But the idea of an unelected regional tier for the south-east seems unsatisfactory also, since it would introduce two classes of voters: those with a vote in inner London, those without elsewhere.

It may be appropriate to examine the regional dimension in the Home Counties, but it is particularly important that Greater London has government restored urgently so that we can play our full role in the changing Europe.

Margaret Hodge,
chair,
Association of London Authorities,
36 Old Queen Street,
London SW1

Only certainties of NHS reforms

From D K D MacKerrell.

Sir, The current National Health Service reforms are concerned with the method by which the same amount of money is to be distributed among "providing institutions". They are essentially organisational and are not concerned with the level of revenue funding or the availability of funds for capital investment.

The only certain effect of the introduction of "managed competition" in an "internal market" will be an increase in the number of accountants employed by the NHS and a consequent sharp increase in the commendably low expense ratio with which the service currently operates.

I have no doubts that having mopped up the current excess supply of accountants, these changes will result in some marvellous statistical justifications for increased funding in order to bring up the number of treatments to the 1990 levels.

D J D MacKerrell,
principal lecturer in accounting,
Thames Polytechnic,
Wapping Campus,
Brewhouse Lane, London E1

Channel rail link: judgments and feelings ignored

From Mr Sam Briddes.

Sir, Proposals for London's third airport blighted many localities, before it was eventually sited in the place originally suggested. Will the Channel Rail Link be the same?

As with the air transport professionals, the judgment of British Rail's planning team will probably be accepted after many years of delay.

Sam Briddes,
76 Boston Place,
London NW1

From Mr John R Wiltshire.

Sir, I refer to your editorial of October 10, "Undermining the tunnel". Yet again you have demonstrated your usual capacity to overlook the feelings of the people who would be clearly affected by the choice of the British Rail "South London" route.

I live in the area which falls into the route favoured by British Rail. It is clear that British Rail has acted like an ostrich during the last few years as the depth of feeling against its chosen route has been absolutely enormous.

You also seem to have chosen to ignore this antipathy in preference apparently for the transportation of people on the Continent so that their travelling time is reduced by 30 minutes. Is this 30 minutes really so important as to threaten the homes and livelihoods of many people in South London?

By the way, I have yet to meet a commuter who believes the British Rail propaganda that the alleged "High Speed Link" will prove of lasting benefit to the suburban commuter.

John R Wiltshire,
193 Burnt Oak Lane,
Sidcup, Kent

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

FINANCIAL TIMES
Tuesday October 15 1991

Judge Thomas waits for the verdict

George Graham finds the Supreme Court nominee's ordeal is the only game in town

ON a tree-lined Washington street, a couple sit in a parked car outside their front door for half an hour unable to tear themselves away from the radio.

In bars and barber shops, customers sit glued to their sets. Out on the golf course, President George Bush takes with him a portable television to "tune in from hole to hole."

Mingling high drama with low soap opera, the public hearings into charges of sexual harassment against Judge Clarence Thomas have driven everything else off the American agenda and divided public opinion down the middle.

Banished to the shadows beyond the television's spotlight is all discussion of Judge Thomas's ideas or judicial qualifications. The only question is "Did he or didn't he?"

The US Senate votes tonight on whether to endorse the administration's choice to fill the vacant seat on the Supreme Court. The outcome will be beamed live to a nation transfixed.

Mr David Poltrack, of CBS television reckons that 27m homes have watched the Thomas hearings. This compares with only 9.2m tuned in to the baseball match in which the Minnesota Twins clinched the American League championship – the lowest recorded audience for a baseball play-off game.

By 2am yesterday when the Senate judiciary committee closed its proceedings, no one was any the wiser whether Mr Thomas or his accuser, Professor Anita Hill of Oklahoma, was telling the truth.

Both Mr Thomas, a flat-voiced 43-year-old from Pin Point, Georgia, and Ms Hill, a meek 35-year-old, appeared sufficiently credible witnesses to encourage their supporters, on the Senate committee and in the nation at large, to cry victory.

An opinion poll published by USA Today newspaper suggested, however, that Mr Thomas had the edge in the battle: 47 per cent of those polled believed him, to 24 per cent convinced by Ms Hill, and 55 per cent felt Mr Thomas should be confirmed.

But in the absence of any conclusive last minute evidence, it seemed that the 100 Senators who will vote on Mr Thomas's nomination as a Supreme Court Justice were also leaning his way.

By noon yesterday, seven Democrats were ready to join 41 Republicans, bringing the controversial nominee within range of victory.

Mr Bush remained cautious, all the same. "I don't know, I don't know … I haven't seen any vote count," he said.

And even if Mr Thomas does win confirmation, he will take his seat on the Supreme Court as an embittered man who declares that he has lost his faith in the American system.

Wavering Senators are expected to decide less on the basis of how convincing they found Ms Hill's charges than on their polling of constituents, but although feelings were running high, sorting out the contradictory viewpoints had turned into a politician's nightmare.

Two weeks ago, most Senators could have voted without fear of any repercussion from their constituents. Now, it is less easy to unravel the competing voter blocs.

The strongest of these blocs includes the millions of women who rose up last week to condemn the Senate's apparently casual handling of Ms Hill's charges that Mr Thomas had sexually harassed her. Opinion polls show, however, that women are by no means unanimously on Ms Hill's side; indeed, most women found Mr Thomas more convincing than his accuser.

On the other side, Senators could face a backlash from those who believe that Judge Thomas has been wronged by the parody of a trial to which he has been subjected – a view shared by many even of those who believe he did harass Ms Hill.

The black vote, so often caricatured as a monolith, was even more complex. For every African-American who sympathised with Mr Thomas's view that the hearings were "a high-tech lynching for uppity blacks," there was another offended that this right-wing Republican should have appropriated the vocabulary of the civil rights movement.

Many black women were angry at the message coming from the Thomas camp that black women ought to back up their menfolk.

Filip Dimitrov, leader of the victorious anti-communist Union of Democratic Forces, is feted in Sofia yesterday

First non-communist government for over 40 years likely

Bulgarian socialists face poll defeat

By Judy Dempsey, Eastern Europe Correspondent, in London

BULGARIA'S main opposition parties are likely to join forces to form the first non-communist government for more than four decades after the defeat of the Socialist (former Communist) party in last Sunday's elections.

According to unofficial results, the opposition Union of Democratic Forces (UDF), a coalition of a dozen political groupings, gained 36.5 per cent, against the Bulgarian Socialist party's 33.3 per cent.

The Movement for Rights and Freedoms (MRF), which is led by Mr Ahmed Dogan and represents the 1m-strong ethnic Turkish minority, gained more than 6 per cent, giving it a powerful influence over the composition of the next government.

"The MRF, almost certainly, will join a coalition with the UDF," a senior Bulgarian official predicted yesterday. He said it would be difficult to persuade the MRF to support the BSP, as the former Communist party had sanctioned the forcible assimilation of the Turkish minority in the mid-1980s.

Negotiations are expected to open among the opposition parties over the next few days. The UDF would have gained an extra 10 per cent had three of the parties originally under the UDF umbrella not split away and stood on independent and separate platforms.

"The UDF will not form a government with the communists. This is certain. At long last we can say that Bulgarians have not voted for the communists," the official said.

The BSP, which was forced to share power with the UDF after anti-government demonstrations toppled the Socialist government in December 1990, tried to disrupt voting in the countryside, its stronghold.

Bulgarian officials and western diplomats said a letter sent out at the weekend from BSP headquarters had instructed local party bosses in the countryside to accuse the UDF of election rigging.

"The BSP wanted to make the vote void and thus hold another election," a western diplomat said. The letter was intercepted by the MRF.

BA said to be discussing alliance with Northwest

By Paul Betts in London and **Nikki Tait** in New York

BRITISH AIRWAYS was reported last night to be discussing with Northwest Airlines, the fourth largest US carrier, a strategic alliance to boost its presence in the US and Pacific markets.

Both BA and Northwest declined to comment on a report in the latest issue of Advertising Age, the US trade magazine, that they were discussing a corporate alliance to create a global airline.

The plan would involve the marketing integration of Northwest with BA from frequent-flier programmes, scheduling and route co-ordination to employee training and corporate identity, the report says. It also suggested that there was a proposal to dissolve the Northwest name and replace it with some variant of the BA name.

The report said it was unclear whether BA would acquire an equity stake in Northwest, in which KLM Royal Dutch Airlines already has a 20 per cent interest.

BA has been seeking for some time to forge a significant alliance with a US carrier.

Both Lord King, BA's chairman, and Sir Colin Marshall, the airline's chief executive, believe have long held the view that the only way for BA needs to develop on this scale was to combine eventually with a US carrier to give the transatlantic partners a significant presence in the western world's two biggest markets: the US and Europe.

BA tried two years ago to forge a partnership with United Airlines, but the deal failed because of the drying up of acquisition finance.

BA has continued to look for a strategic US airline partner, especially now that it is facing more intense competition on transatlantic routes after the UK government's decision to open up Heathrow, BA's London base, to new airlines.

Airline industry analysts said an alliance with Northwest would strengthen BA's presence in the US by giving it access into the domestic market beyond the big international US gateways. Northwest's extensive Pacific network would also help complete BA's own network.

In Minnesota, Northwest also declined to make any comment on the report, saying it was corporate policy not to discuss rumours.

US analysts, although acknowledging some logic to a link-up, particularly from BA's perspective, said Northwest already had a number of other deals either under way or under consideration.

The airline is known to have held discussions with Continental Airlines. Continental, number five in the US industry, is in bankruptcy proceedings and under some pressure from its creditors to resolve its future.

KLM also declined to comment on the BA talks. It again denied rumours, circulating on the Amsterdam stock exchange last week, that KLM was about to announce a marketing link with a big US carrier and BA.

Record surplus puts Japan under pressure

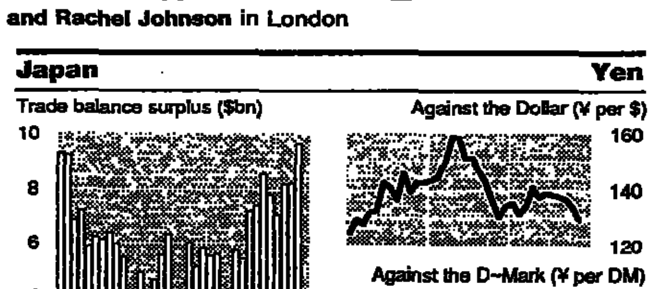
By Robert Thomson in Tokyo **and Rachel Johnson** in London

JAPAN'S trade surplus rose by a record $9.75bn in September to stand 41.7 per cent higher than a year earlier, putting further pressure on the authorities to lift the currency after the Group of Seven's finance ministers agreed in Bangkok at the weekend that yen appreciation was needed to prevent renewed growth in the surplus.

Last month, customs-cleared imports fell 5.7 per cent to $17.89bn, while exports rose 6.9 per cent to $27.64bn, underscoring G7 concern about the strong penetration of Japanese imports into the European and US markets. For the first nine months, the cumulative adjusted surplus is $57bn, an increase of 31.9 per cent.

The figures are an embarrassment for Tokyo, which fears that the surplus for the year could be uncomfortably close to the 1986 record of $82.7bn, and that the size of the figure itself will provoke trade friction with Washington and the EC.

However, the weekend's vaguely stated accord to strengthen the yen had its impact on the foreign exchanges yesterday, with the yen touching Y129 against the dollar, after Friday's Y129.90.



Source: Datastream

However, in London, analysts said that concerted policy action would be needed to lift the yen and limit the trend of rising surpluses.

Mr Ifty Islam, currency economist at BZW, said that as Japan's surplus with Europe this year had risen by 58 per cent, compared with the first half of 1990, engineering a specific yen-US dollar target would be ineffectual.

Japan's exports to the US in September rose 2.9 per cent to $8.5bn, while imports fell 1.8 per cent to $3.9bn. Exports to the EC rose 2.9 per cent and imports from Community members were down 20.9 per cent.

Mr Jim O'Neill, of Swiss Bank Corporation, said that a rise in the yen could accelerate a much-needed cut in Japan's official discount rate. The G7 should seek a general strengthening of the yen, not one only against the dollar, he said.

Ministry of Finance officials have cited "special factors" such as lower oil prices and currency fluctuations for the upturn in the surplus, but yesterday they conceded that structural changes such as stronger demand in the US and fast-growing Asian trade are partly responsible for the turnround this year.

Seasonally adjusted, the September surplus was $7.67bn, up from $7.23bn in August, with exports falling 0.4 per cent to $26.4bn, and imports down 2.8 per cent to $18.73bn. In the fiscal first half, beginning in April, exports rose 9.8 per cent to $153bn, while imports increased by 2.4 per cent to $113.1bn.

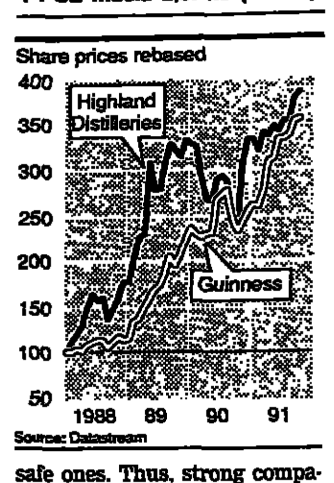
There was a 13.9 per cent increase to $5.56bn in exports to the newly industrialised economies of Asia, while imports from those countries rose 6.6 per cent to $2.3bn. Exports to the Middle East rose 35.1 per cent, marking the return to normal trade after the disruption last September caused by the Gulf crisis.

For the month, exports of electric machines, including computers and video cameras, rose 11.4 per cent on the same period last year, while chemical exports rose 10 per cent, and exports of metallic products were 8.8 per cent higher. Car imports fell 18.4 per cent, and imports of mineral fuels were down 14.9 per cent by value.

THE LEX COLUMN

Darker days at Nordic banks

FT-SE Index: 2,574.5 (+19.5)



Source: Datastream

It is rare indeed for an established retail bank in a developed country to accumulate so many bad loans that its entire share capital is lost. Such an achievement by Norway's Christiania Bank is spectacular testimony to the dire state of that country's banking industry. Even before yesterday's announcement, Norway's top banks had been seeking capital from their main corporate customers, a state of affairs which might suggest imminent economic depression. Happily, the government's oil wealth should allow the worst cases to be bailed out. Yet Norway's banking difficulties, which are replicated to a lesser degree elsewhere in the region, raise awkward questions about financial deregulation in small protected markets.

The coincidence of deregulation with a boom which rapidly gave way to deep recession doubtless worsened these problems. But even a more benign economic background could not have prevented conflict between deregulation and an apparent desire throughout the region to preserve a range of local institutions for competition's sake. Now the consolidation process will inevitably involve greater state involvement – Sweden, too, is having to put additional capital into Nordbanken.

Given their already vulnerable position on the margin of the new Europe, Nordic countries cannot ignore the trend towards banking consolidation in smaller Community markets like the Netherlands, Spain, or even in less developed financial markets like Italy. Domestic competition may suffer as a result, but that could be offset by a warmer welcome to foreign banks. In any case, no one could claim that competition in the deregulated Nordic market has so far done much for the cause of sound banking.

UK rights issues

The number of rights issues now at risk in the UK market prompts the question of how some of the more obviously desperate cash calls ever got away in the first place. One part of the answer is familiar: the operation of the underwriting cartel, whereby all companies pay the same insurance rate of 2 per cent, regardless of risk. Since the sub-underwriting institutions regard this as profitable business overall, they can be put under pressure by the underwriting banks to support the dodgy issues as the price of being cut in on the safe ones. Thus, strong companies are obliged to subsidise their weaker brethren.

The underwriting community argues that differential risks are priced not in the underwriting fee but in the level of price discount in the issue itself. This is true to an extent. But it is equally plain that companies in turmoil like British Aerospace and Asda do not present the same insurance risk over the three-week underwriting period as the likes of Tesco or Sainsbury. It is also argued that strong companies can opt for deep-discounted issues and avoid underwriting completely. This is beside the point. A company which does want insurance is entitled to expect competitive quotes in a free market.

The fact is that the underwriting system is one of the last remaining restrictive practices in the City. Almost everyone stands to gain. The merchant banks avoid price wars among themselves. The institutions, who ensure by the system of pre-emptive rights that they are the only market for the shares, dictate the price of the issue and then take their 1.25 per cent fee on top. The weak companies are allowed access to the market which might otherwise be denied them. The only losers are the stronger companies who support the system. It might be an opportune moment for one of them to raise the whole issue with the Office of Fair Trading.

Lucas

The recovery story from Lucas Industries may be starting to wear just a little thin. Yesterday's 56 per cent fall in pre-tax profits for the year to July admittedly conceals a rather better than expected contribution from the group's aerospace activities in the second half. But a mere £6m operating profit from automotive in the same period is disappointing, given signs from other motor component makers that there had been no significant deterioration in the first half of this year. Lower volumes were compounded by higher redundancy costs and lower property profits – but this is only a partial excuse.

Investors prepared to back the shares at last night's price of 139p, up 4p on the day, will certainly need to be patient. The prospective multiple – assuming profits can crawl forward this year to, say, £90m – is now around 17 times, which means that the rating can only be justified by hopes of a reasonably sharp pick up in 1993.

The main consolation is that Lucas should at least have enough funds to weather the recession. Gearing at the moment is just under 40 per cent – but this will come down to about a quarter when the pension fund surplus is received. That leaves plenty of scope not only to pay another high tax bill this year but to continue the research and development programme. Long termists will no doubt prefer such a strategy to those peers which are conspicuously running their businesses for cash or ruthlessly screwing down capital expenditure.

Highland

The recent performance of Highland Distilleries is a useful corrective to the view that the Scotch whisky industry has been riding on the coat-tails of Guinness. Since the start of 1988, Guinness has been the second-best performing stock in the FT-SE. Highland has performed better still and, at yesterday's 295p, stands on a substantially higher rating of 19.5 times historic earnings.

The chief snag at present is Highland's dependence on the UK for 70 per cent of its sales. At the half-way stage, UK sales volume of Famous Grouse was up 3 per cent and group operating profit was up 24 per cent. In the second half, sales fell by around 3 per cent and group profit was up only 9 per cent. On a longer view, this is likely to be outweighed by overseas expansion exemplified last year by a 16 per cent rise in Famous Grouse export volume and a doubling of sales in the US. The shares are also usefully underpinned by the fact that Remy Cointreau has yet to make more than a start in building up its agreed 10 per cent stake.

WORLDWIDE WEATHER

		°C	°F
Ajaccio	F	21	70
Algiers	F	22	72
Amsterdam	F	16	61
Athens	S	24	75
Bahrain	S	32	90
Bangkok	F	33	91
Barcelona	F	20	68
Beirut	F	24	75
Belfast	C	10	50
Belgrade	S	25	77
Berlin	F	16	61
Biarritz	S	18	64
Bombay	F	31	88
Bordeaux	R	15	59
Boulogne	S	19	66
Brussels	S	18	64
Budapest	S	20	68
Buenos Aires	R	25	77
Cairo	S	29	84
Cape Town	R	16	61
Caracas		–	–
Casablanca	C	18	64
Chicago	R	10	50
Cologne	S	17	63
Copenhagen	Dr	12	54
Corfu	F	23	73
Dallas	F	21	70
Dublin	C	11	52
Dubrovnik		–	–
Edinburgh	C	11	52
Faro	F	21	70
Florence	F	17	63
Frankfurt	C	11	52
Geneva	F	13	55
Gibraltar	F	18	64
Glasgow	F	13	55
Helsinki	S	11	52
Hong Kong	C	27	81
Innsbruck	F	18	64
Inverness	F	12	54
Islamabad	C	19	66
Istanbul	F	20	68
Jakarta	F	31	88
Jersey	F	15	59
Johannesburg	F	22	72
Lima	C	19	66
Lisbon	F	19	66
London	C	17	63
Los Angeles	Fg	16	61
Luxembourg	S	14	57
Madeira	F	21	70
Madrid	F	15	59
Majorca	F	21	70
Malaga	C	20	68
Malta	S	29	84
Manchester	C	13	55
Manila	C	33	91
Melbourne	S	25	77
Mexico City	F	23	73
Miami	F	23	73
Milan	R	14	57
Montreal	S	0	32
Moscow	S	10	50
Munich	S	18	64
Nairobi	F	28	82
Naples	S	22	72
Nassau	C	30	86
New Delhi	S	31	88
New York	S	7	45
Nice	S	18	64
Nicosia	T	23	73
Oporto	C	16	61
Oslo	Dr	8	46
Paris	S	19	66
Peking	R	12	54
Prague	F	19	66
Reykjavik	F	2	36
Rhodes	S	24	75
Rio de Janeiro	F	30	86
Rome	R	22	72
Salzburg	S	18	64
San Francisco	S	27	84
Seoul	S	18	64
Singapore	F	27	81
Stockholm	S	14	57
Strasbourg	C	13	55
Sydney	S	23	73
Taipei	R	25	77
Tangier	F	19	66
Tel Aviv	S	26	79
Tenerife	C	23	73
Tokyo	R	16	61
Toronto	S	-1	30
Tunis	F	29	84
Valencia	S	22	72
Venice	F	19	66
Vienna	S	18	64
Warsaw	S	17	63
Washington	S	6	43
Zurich	C	11	52

Temperatures at midday yesterday C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder

FINANCIAL TIMES
COMPANIES & MARKETS

Tuesday October 15 1991

INSIDE

Hanson told to answer ICI questions

Institutional shareholders in Hanson, the UK conglomerate which bought a threatening stake in Imperial Chemical Industries, the UK chemical group, yesterday said they would press the conglomerate to address questions on its managerial style and quality of profits raised by ICI. Page 29

Roar over Lion's taste for beer

Australians take their lager seriously, judging by the angry response in the nation's newspapers to the surprise announcement of an agreed takeover offer by Lion Nathan of New Zealand for Australian Consolidated Industries (ACIL), the brewing and petroleum group. Papers carry headlines such as "Foreign Threat to Aussie Beer" and "Lion Pounces". Page 24

Bumping along at the bottom

At a time when world carry-over stocks of grain are bumping along at the bottom of food security levels, the EC is again talking about reducing production. But in the US, steps are being taken to expand the area planted to wheat and coarse grains to increase supplies. Page 30

Cut-price profits

Mr Kevin Threlfall (left), chairman of T&S Stores, a UK chain of 570 discount tobacconists and convenience stores, has developed a distinctive low-cost style of trading. T&S's results amply testify it is possible to make an attractive return by paring costs to the minimum. Over the past five years, the chain has lifted pre-tax profits from £1.8m in 1986 to £12.1m ($20.8m) and interim figures last month showed a 13.5 per cent improvement. Page 28

Lucas tumbles 56%

Recession-hit Lucas Industries says it sees no sign of recovery in its main markets — automotive and aerospace components and technology systems. The UK group's depressing outlook followed a 56 per cent drop in pre-tax profits during a year in which 4,500 jobs were lost. Page 27; Lex, Page 21

Fall in mezzanine finance

Bid activity may be gathering momentum again, but the future of mezzanine finance is under question. A high-yielding, high-risk loan, mezzanine grew in popularity as highly leveraged acquisitions made it necessary to bring in a tier of debt between senior bank loans and equity. Having grown to a peak of £864m in 1989, the amount of mezzanine finance used in deals shrank to £52m ($89.4m) in the first eight months of this year. Page 26

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Rises			
AG Ind & Verk	763	+	11
Continental AG	198.5	+	7.5
Leifheit	650	+	10
Falls			
Aachen Mch	770	–	15
F Kugelfischer	254	–	6
Rheinmetall Brln	310	–	8

NEW YORK ($)

Rises			
Amer Airlines	60¾	+	2½
Delta	67⅞	+	1⅞
Great Lakes	96⅞	+	10⅝
United Airlines	127⅝	+	3⅛
Falls			
Genrad	2¾	–	⅜
West Elect	17¼	–	¾

PARIS (FFr)

Rises			
Bancaire Cie	513	+	7
Chargeurs	946	+	16
Geophysique	740	+	23
SILIC	612	+	12
Falls			
Eurocom	563	–	11
Intertechnique	747	–	83

TOKYO (Yen)

Rises			
D'Urban	795	+	65
Meiwa Industry	630	+	39
Falls			
Daito Wool	1180	–	80
Daiwa Heavy	970	–	80
Fuji Fire & Mne	1110	–	80
Nichirro	1010	–	120

LONDON (Pence)

Rises				ML Labs	780	+	83
ASDA	44	+	4	Microtec	100	+	7
Anglia TV	236	+	15	Scottish TV	605xd	+	31
Comm Union	497	+	14	SelecTV	22½	+	4½
Crown Eyeglass	175	+	20	Standard Chrd	388	+	17
Goal Pet	75	+	3	Torday&Carlisle	109	+	5
Grampian TV A	80	+	3	Ulster TV	135	+	11
Granada	175	+	10	**Falls**			
Highcroft Inv	160	+	22	Stanhope Prop	37	–	3
Intercare	127	+	8	Thames TV	193	–	11
Kalamazoo	47½	+	10½	Warburg (SG)	522	–	11
Lloyds Bank	404	+	10				

Thomson-CSF rises 5.6% to FFr1.12bn

By William Dawkins in Paris

THOMSON-CSF, the leading European defence electronics group, yesterday announced a 5.6 per cent rise in net profits for the first half of 1991 and forecast an increase for the year.

The advance, to FFr1.12bn ($194.2m) from FFr1.06bn in the first six months of last year, comes on an expected 4.9 per cent decline in turnover from FFr17.35bn to FFr16.5bn, reflecting the run-down payments on a contract to supply ground-to-air missiles to Saudi Arabia.

Mr Alain Gomez, group chairman, forecast that profits should "rebound" in the second half of the year and would continue to rise gently next year and in 1993. "By 1995, we will have largely finished reconfiguring the group," he said. He predicted that concentration of the European defence industry would continue.

The group said that SGS-Thomson (ST), the Franco-Italian chipmaker of which Thomson-CSF is the French parent, had dropped all hope of merging with the semiconductor divisions of Siemens of Germany and Philips of The Netherlands.

Thomson-CSF's profits improvement comes in spite of a sharp fall in contributions from companies in which it has minority stakes, from a FFr525m profit in the first half of last year, to a FFr65m loss in the same period of 1991. This reflects a collapse in earnings attributable to its stake in Altus Finance, the treasury bank owned by Crédit Lyonnais, from Crédit Lyonnais itself, and a loss from SGS-Thomson.

The effect of this was softened by a swing from a group FFr292m exceptional loss in the first half of last year – the cost of job cuts – to a FFr167m exceptional profit.

Thomson-CSF's operating profits fell slightly from FFr1.09bn to FFr1.06bn. The biggest sales decline was felt in the aeronautics division, where turnover fell 23 per cent to FFr2.86bn, because of the cancellations of contracts for Iraq and Jordan. Missile sales slipped by 13 per cent to FFr3.55bn while the communications division recorded a 19 per cent rise in sales to FFr3.19bn.

Mr Gomez said it was up to SGS-Thomson (ST), which is jointly owned with IRI/Finmeccanica, the Italian state-owned holding group, to follow its own strategy.

The chipmaker had to accept there was no chance of an alliance with Siemens and Philips after the agreement in July between IBM, the US computer giant, and Siemens to make 16 megabit dynamic random access memory (DRAM) chips at an IBM plant near Paris.

The admission that the idea of alliance was dead was no surprise, but it was politically significant because it delivered the final blow to the European Commission's attempts, pushed by Mr Jacques Delors, its president, to encourage a merger and create a group large enough to support the huge investment needs and short product lives of the chip market.

SGS-Thomson (ST) made a FFr356m net loss in the first half of the year against a FFr12m profit in the same period of 1990.

Battle for Fairfax enters last round

Kevin Brown finds politics clouding the Australian newspaper group's fate as potential buyers submit bids

A 10-month battle for control of Australia's Fairfax newspaper group enters its final stage today shrouded in financial uncertainty and political manoeuvring.

The ownership of the group is crucial to the structure of the Australian newspaper market, in which it is the second largest publisher behind News Corporation, Mr Rupert Murdoch's media group.

Yet the future of the Fairfax newspapers – the Sydney Morning Herald, the Australian Financial Review and The Age, in Melbourne – remains as unclear as it was when the group's bankers put it into receivership in December.

The Herald and The Age dominate the classified advertising markets in New South Wales and Victoria – home to 60 per cent of the Australian population – and the Review occupies a monopoly as the nation's only business journal.

The newspapers also provide an important political platform, used to great effect by the late Sir Warwick Fairfax, who chaired the company for nearly 50 years before being ousted in a family coup in 1976.

However, the group has been in turmoil since 1987, when Mr Warwick Fairfax, Sir Warwick's 27-year-old son, mounted a A$2.1bn (US$1.7bn) leveraged buy-out which left it with debts of A$1.3bn to Citibank and ANZ Banking Group, and US$450m in junk bonds.

Mr Fairfax, a Harvard-educated born-again Christian who prefers missionary work to newspapers, would eventually have inherited control, but was impatient to avenge his father's 1976 humiliation. The buy-out brought an end to family control of the group after 149 years.

Warwick Fairfax: buy-out bid ended family control

The banks' decision to eject Mr Fairfax triggered interest in the Fairfax assets from more than a dozen potential purchasers, although some were interested only in parts of the group. For example, Pearson, the UK group which owns the Financial Times, wanted only the Financial Review.

Mr Des Nicholl, the receiver, will find three consortia queueing at his door when the deadline for bids expires this afternoon.

Leading the pack will be Tourang, a vehicle for Mr Kerry Packer, the Australian media operator, and Mr Conrad Black, the Canadian owner of the UK's Daily Telegraph group.

Close behind will be Australian Provincial Newspapers (APN), representing Mr Tony O'Reilly, chairman of Ireland's Independent Newspapers group and chief executive of Heinz, the US foods group.

Bringing up the rear will be Australian Independent Newspapers (AIN), an all-Australian bidder representing about 30 financial institutions, which is chaired by Mr Jim Leslie, a former chairman of Qantas Airways.

Bids will need to exceed A$1.3bn to prevent Mr Nicholl from pursuing alternative plans for a flotation, although the banks will accept continuing debt of between A$500m and A$600m. However, the receiver also has to judge the effect on each bidder of a political debate on the concentration of media ownership.

Many MPs and journalists are concerned a successful bid by Tourang would further increase the influence of Mr Packer, who controls Australia's biggest magazine group and the most popular television network.

If the bid succeeds, Tourang and Mr Murdoch, a US citizen, would jointly control more than 90 per cent of daily newspaper circulation.

Worries about the implications for media diversity were compounded yesterday when it emerged that Mr Packer's Darwin television station had removed a derogatory item on Mr Packer from a satirical programme.

However, leaders of Australia's Labor Party are less antagonistic to Mr Packer, whose newspapers and magazines are seen as broadly friendly, especially when compared with what they regard as the "establishment" AIN bid.

Mr Kim Beazley, communications minister, described the all-Australian AIN consortium recently as an "uptown Melbourne" group, implying that the institutions are inherently anti-Labor.

These tensions have led to a passionate debate within the Labor Party as critics of Mr Packer have tried to hamper Tourang by tightening foreign investment and cross-media ownership rules.

As a result, Labor parliamentary committees opted first for a tight 20 per cent limit, favoured by AIN, then for 20 per cent excluding non-voting equity, which helps Tourang by allowing it to increase the proportion of overseas equity.

The looser limit, proposed by Mr Beazley, was accepted by the parliamentary party on Thursday, but the issue was re-opened by other cabinet ministers who said they had been "bounced" into giving their support.

Tourang has responded to the uncertainty by structuring its bid to give Mr Black 20 per cent of Fairfax, with 10 per cent of non-voting equity going to Hellman and Friedman, the US investment bank, and 14.9 per cent to Mr Packer, the limit allowed under laws restricting cross-ownership of television and newspaper assets.

Labor's policy-making biannual conference has placed further obstacles in Tourang's path by forcing an inquiry into print media ownership and tighter legislation on cross-ownership, both of which could pose a threat to Tourang if completion of the deal is delayed.

However, Tourang remains the strongest competitor because of the ability of Mr Packer and Mr Black to raise substantial overseas equity, allowing them to outbid the rival consortia.

Tourang also has an agreement with the US bond holders which would avoid possible legal action against the receiver, although the other consortia could probably replicate the agreement if Tourang stumbles.

Mr O'Reilly's APN consortium says it has no difficulties with the 20 per cent limit on voting equity, and is believed to have put forward several other structures for the deal, mostly relying on domestic institutional support.

APN's main hope lies in being seen as a more acceptable foreign bidder than Tourang.

Mr Leslie will be hoping the banks are sufficiently worried by the potential difficulties facing Tourang to plump for the all-Australian AIN bid, which offers the simplest deal, and involves no regulatory difficulties.

However, many analysts are forecasting a bull run on the Australian Stock Exchange next year as interest rates fall and the economy recovers. That could make a flotation during the next six months a tempting prospect for the banks.

FAIRFAX

Publishers - Sydney Morning Herald, Australian Financial Review and The (Melbourne) Age

Who's who in the queue to buy Australia's second-largest publisher

Tourang - a vehicle for Mr Kerry Packer (left), the Australian media operator, and Mr Conrad Black (right), the Canadian owner of the UK's Daily Telegraph group. Mr Packer already controls Australia's biggest magazine group and the most popular television network. Tourang is the strongest competitor because Mr Packer and Mr Black can raise substantial overseas equity, allowing them to outbid rivals.

Australian Provincial Newspapers (APN) - representing Mr Tony O'Reilly, chairman of Ireland's Independent Newspapers group and chief executive of Heinz, the US food group. APN's main hope lies in being seen as a more acceptable foreign bidder than Tourang.

Australian Independent Newspapers (AIN) - all-Australian bidder representing about 30 financial institutions, chaired by Mr Jim Leslie, former chairman of Qantas Airways. He hopes banks are sufficiently worried by potential problems facing Tourang to plump for AIN's all-Australian bid.

Kolbenschmidt in foundry sale talks with Kleinwort Benson

By Andrew Fisher in Frankfurt

KOLBENSCHMIDT, the motor components subsidiary of Metallgesellschaft, is talking with Kleinwort Benson about the possible sale of a 49 per cent stake in an aluminium foundry to the London-based merchant bank. It would use the proceeds to help finance a DM200m ($118m) facility for producing lighter car parts.

Kleinwort hopes to place the stake with several UK institutions. This could raise around DM100m, though the bank declined to provide figures. Kolbenschmidt, a leading German car parts manufacturer, would retain majority control of the foundry operation.

The move comes as Germany's components makers, many of them squeezed by price pressure from the vehicle manufacturers, are reshaping themselves for tougher competition in the 1990s. Mannesmann, the steel and engineering company, recently bought Boge, the suspension systems maker, to add to its Fichtel & Sachs motor parts operation.

VDO, the instrumentation company, is in talks with Mannesmann and Siemens. Analysts expect Siemens, which has expanded rapidly in car electronics, to announce a link with VDO, possibly with a majority stake.

Earlier this year, Robert Bosch bought Moto Meter, another instrumentation company. Krupp's proposed acquisition of Hoesch, the steel and engineering group, also involves the automotive sector, to which both are suppliers.

Kolbenschmidt declined to comment on the transaction, but said aluminium would become increasingly important in cars for energy and environmental reasons. Aluminium, of which Kolbenschmidt has much experience, is being applied gradually to small as well as luxury cars to help cut fuel use and emissions.

The company, in which Frankfurt-based Metallgesellschaft owns 51 per cent, has built a new foundry at its Neckarsulm headquarters in southern Germany to prepare for aluminium's increased use in engine blocks, cylinder heads and other parts.

Kolbenschmidt, which is quoted, achieved a turnover of DM1.4bn in its last financial year to end-September 1990, earning net profits of DM35m, virtually unchanged from the year earlier.

Kleinwort Benson, which recently opened a Frankfurt office, said it hoped to persuade UK institutions to take stakes in Kolbenschmidt and noted that there was a high level of interest.

Underwriting abandoned in BT sell-off

By Hugo Dixon and Roland Rudd in London

THE UK Treasury has decided to dispense with underwriters in the sale of the government's BT shares for the first time in any privatisation. Ministers believe the move could save taxpayers up to £150m ($258m).

It is further evidence of the Treasury's determination to keep costs to a minimum and sell the shares for the maximum price – an approach which has characterised the £5bn BT sale to a greater extent than any previous public flotation.

The decision, announced yesterday, represents a defeat for BT which had argued in favour of fixed-priced underwriting for the period of the offer.

The company wanted to eliminate any potential risk of a flop if the market fell.

The Treasury, however, believes there is virtually no risk because the price at which shares will be sold will be set after institutions have tendered for them and only one day before they receive them.

Institutions, which yesterday said it was too early to decide how much of the stock they would bid for, are expected to buy about £2.5bn worth of shares, with a similar amount going to the UK public.

The total sale represents just under half of the government's 47.6 per cent BT shareholding.

In previous privatisations the share price was set during the whole period of the offer, meaning there was a greater chance of the sale being affected by a market downturn.

Advisers to the government stressed: "We are fixing the pricing at the end of the offer, not the beginning."

In the privatisation of the electricity industry the government dispensed with primary underwriters, but not with secondary underwriters.

Ministers believe that abandoning both forms of underwriting will increase the proceeds of the offer in three ways:

● Underwriting fees, normally 1¼ per cent and equivalent to about £30m, will not be paid.

● The institutional offer will not have to be priced at a discount to the market price, a practice associated with underwriting.

● Ministers believe that, without underwriting, the share price will remain buoyant: in previous secondary privatisations such as Britoil and Cable & Wireless, the share price fell because underwriters did not want to add to their portfolios in the run-up to underwriting.

Stanhope slides into red as office values tumble

By Vanessa Houlder in London

THE STEEP fall in London office values has pushed Stanhope Properties, the UK property company in merger talks with Rosehaugh Developments, into a £77.4m ($132.7m) pre-tax loss in the year to the end of June. Its net asset value fell 30 per cent in the year.

The news of the losses, which triggered a 3p fall in Stanhope's share price to 37p, was accompanied by a reasonably confident statement emphasising the recent fall in UK interest rates and the interest shown by overseas institutions in the London market.

"We remain confident that, when the current difficulties are over, Stanhope will emerge stronger, more competitive and better equipped to take advantage of the opportunities which lie ahead," said Mr Stuart Lipton, chairman.

Stanhope gave no details about its merger plans, although the company said that talks were moving forward. It added, however, that it would be viable without a merger. "We are trying to demonstrate that we have a future as an independent company", said Mr Nigel Wilson, managing director.

The results reflected an income shortfall and drop in values of its investment properties, which declined by an average of 8 per cent. Also reflected were £43.4m of provisions against current and future London projects at Broadgate, Ludgate, Stockley Park, Brunswick Wharf, London Wall, South Bank and several smaller sites.

Three-quarters of the provisions were made against Rosehaugh Stanhope Developments, the joint venture with Rosehaugh responsible for Broadgate, Ludgate and Brunswick Wharf.

Mr Wilson said that there was no risk that the company would break its banking covenants, and furthermore, the company had a healthy liquidity position.

Rosehaugh Stanhope Developments was in a stable financial position, said Mr Wilson. Rental income virtually matched expenditures, as a result of the £180m sale of a Broadgate building, the reduction in interest rates and the conversion of £100m of parent company loans into equity. Another phase of the complex is being marketed.

Stanhope described the progress on lettings in the last year as modest, although there were signs of improvement and the company had entered discussions with several prospective tenants.

Turnover increased to £42.9m compared with £33.7m in 1990, when it made a pre-tax profit of £15m. There was a loss per share of 40.09p compared with last year's earnings per share of 4.94p. The net asset value per share fell from £2.76 to £1.92.

Mid-term profits at Havas slip 5.6%

By William Dawkins

HAVAS, the French communications group, yesterday reported a 5.6 per cent decline in profits for the first half of the year and forecast that full-year earnings would also be slightly down.

It attributed the decline to poor markets for outdoor advertising, full service advertising, the trade press, publishing and tourism, plus a slower than usual expansion in earnings from its trade fair organisation division, trade directories and radio and television stations. Outside France, multimedia sales produced a strong rise in profits, said Havas.

Net group profits fell from FFr694m in the first six months of 1990 to FFr655m (US$113m) in the comparable period of this year, on a 13.3 per cent rise in turnover, from FFr11.8bn to FFr13.37bn. Adjusted for takeovers, sales rose by an underlying 8.1 per cent, while international turnover rose from 23.4 per cent of the total to 28.9 per cent of group sales.

Despite the slowdown, Havas continued investing in its business, a total of FFr1.41bn in the first half, up from FFr1.16bn in the comparable period. Cash balances stood at FFr3.66bn at the end of June, up from FFr3.32bn from the end of December.

Havas said its main subsidiaries are concentrating on improving productivity and picking up acquisitions at good prices. Only two weeks ago, the Eurocom advertising subsidiary took control of Roux Séguéla Cayzac & Goudard, France's third largest advertising agency.

● Galeries Lafayette, the French department store group, announced a swing from a pre-tax profit of FFr55.7m in the first six months of last year to a FFr27.8m loss in the first half of 1990.

Operating profits fell to FFr35.55m from FFr87.51m on sales down slightly to FFr7.85bn, from FFr7.87bn. The group said the Gulf war had driven shoppers away from its Paris stores until April.

Sweden to sell 70% of Nordbanken

By John Burton in Stockholm

SWEDEN's new coalition government said yesterday it would seek parliamentary approval to sell the state's 70 per cent stake in Nordbanken, the country's second largest bank.

Ms Anne Wibble, the finance minister in the non-socialist government, said the disposal would not take place until market conditions improve.

The announcement underlined the government's commitment to privatisation despite its decision yesterday to help inject SKr5.2bn ($843m), through a new share issue, into the troubled bank, which predicts a pre-tax loss of SKr6.6bn for the year.

Nordbanken yesterday also cleared the way for foreigners to acquire 20 per cent of the voting power and 40 per cent of the equity. This follows similar laws already adopted by other banks.

Sweden's former Social Democratic government, defeated in last month's general election, proposed in August that the Swedish state subscribe to the share issue by the bank, which faces estimated credit losses of SKr9.5bn in 1991.

The new capital will allow Nordbanken to meet next year's capital adequacy ratio mandated by the Bank of International Settlements.

The non-socialist government will subscribe to 70 per cent of the share issue, corresponding to its ownership stake in the bank, and will underwrite the rest.

The need for the new capital became apparent following the collapse of the corporate empire controlled by Mr Erik Penser, the Swedish financier.

Nordbanken was the biggest creditor to Mr Penser and subsequently took over his controlling stake in the chemical and defence group Nobel Industries. The bank also made big loans during the late 1980s to several property and finance companies that have since gone bankrupt during the recession.

Mr Bjorn Walhstrom, the Nordbanken chairman, said yesterday it was possible that Nordbanken would return control of Nobel Industries to Mr Penser if he was able to settle all of his and Nobel's loan commitments, which are estimated to be at least SKr10bn. Mr Penser has been seeking foreign financing in a bid to regain ownership of his companies.

Bank of Finland unveils more plans to stabilise Skopbank

By Enrique Tessieri in Helsinki

THE BANK of Finland, the country's central bank, has announced further plans to restructure and stabilise the financial position of Skopbank, which was rescued by the government early last month.

The bank will inject FM2bn ($482m) into Skopbank

Skopbank's high-risk exposures in property and equities will be split and transferred into separate holding companies which will be fully owned by the central bank. These holding companies should become operational this month. Their combined share capital will be FM700m.

One of the holding companies will have Skopbank's equity and real estate risk exposures, while the other one will have the bank's industrial exposures such as Tampella, the forest group.

The Bank of Finland has taken effective control of Skopbank, the country's fourth largest, as well as responsibility for its domestic and foreign liabilities. The central bank has pledged to uphold Skopbank's international capital reserve requirements.

The financial performance of Finnish banks has been strained by deregulation and the country's severe recession, which has fuelled a record number of bankruptcies and forced credit losses to surge.

Excluding the FM2bn injection, Bank of Finland officials said the cost of acquiring Skopbank's exposures and transferring them into two holding companies would, "according to preliminary and very rough estimates", require a FM8bn commitment from the central bank.

Officials added, however, it was still too early to calculate how much in losses the Skopbank rescue operation would cost. Such a calculation is only possible when these exposures are sold under more favourable market conditions.

A Skopbank general meeting yesterday decided to raise the bank's share capital. This will be done through a FM2bn injection from the Bank of Finland, which will end up controlling 63.6 per cent voting rights of Skopbank. Skopbank's consolidated assets total about FM86bn.

KOP names new chief executive

By Enrique Tessieri in Helsinki

MR Pertti Voutilainen was named chairman and chief executive of Kansallis-Osake-Pankki (KOP), Finland's largest commercial bank, at a supervisory board meeting yesterday.

He will take over the KOP helm on January 1, 1992 when Mr Jaakko Lassila, KOP chairman and chief executive, will retire.

Mr Voutilainen, 51, has worked since 1964 for Outokumpu, a state-owned base metals group, and from 1988 as that company's chief executive. Analysts say that Mr Voutilainen's appointment is an indication of KOP's strong ties with the country's state-owned industrial sector.

Mr Lassila was appointed KOP chief executive in 1983. Throughout the 1980s he has gained a reputation of being the single most important figure in Finnish business life.

He offered his resignation last Thursday.

His decision was spurred by publicity which his bank had received from the so-called Kouri affair. Mr Pentti Kouri is a New York- based Finnish financier who was active in buying stocks for KOP during the 1980s.

KOP used Mr Kouri to defend its industrial interests from hostile takeover.

There have been no suggestion of any illegalities on KOP's role in the Kouri share transactions.

Daimler-Benz listed in Paris

SHARES IN Daimler-Benz, the German car-maker, will be listed on the Paris Stock Exchange on November 6, Reuter reports from Paris.

The shares will be listed on the main, monthly settlement market. New Daimler shares will not be issued at the time of the listing but existing shares worth some FFr100m will be offered to the public.

Credit Lyonnais, the French state-controlled bank, and its broking arm Cholet-Dupont will underwrite the issue.

● Volkswagen is to offer each employee four preference shares at a discounted price of DM165.50 a share. The company said the market value of four shares yesterday was DM1,162 compared with a cost to employees of DM662.

About 132,000 employees can sign up for the shares from October 15. They will be issued in November and December and are entitled to a dividend from January 1, 1992. If all eligible staff sign up, the nominal value of the shares issued would be DM26.4m ($15.6m), raising around DM87m.

Rank Xerox plans £165m investment in Europe

RANK XEROX, the document products company based in the UK, yesterday unveiled a £165m ($283.8m) investment programme for research, development and manufacturing in Europe over the next three years, writes Andrew Jack in Brussels.

Mr Paul Allaire, chairman and chief executive officer of Xerox of the US, warned at the same time that earnings were "likely to be down" for the second half of the financial year, as a result of lower demand for office equipment, particularly at the higher end of the company's product range.

The move reflects a desire to widen the product range and increase sourcing of materials within the European Community for Rank Xerox, a joint venture established in 1956 between the Rank Organisation and Xerox.

The investment will come from cash generated internally by Rank Xerox. It will create only about 100 jobs.

"We are extremely European oriented," said Mr Bernard Fournier, Rank Xerox's managing director. "This announcement is a recognition of our confidence in the European market."

The company will spend £90m on manufacturing, split equally between existing factories in the Netherlands, France, Spain and the UK. It plans to source 80 per cent of materials within the EC by 1995, in support of plans to deliver all materials to plants within 24 hours of orders. EC sourcing is now about 50 per cent. The company will open a £30m research centre in France, Germany or Spain to complement its EuroParc laboratory in Cambridge, England.

It plans to increase collaboration with government and academic research centres, and to concentrate on the way humans interact with computers in different languages.

It will spend £45m on its systems centre in Welwyn Garden City, UK, to provide customer support and software and hardware development over the next three years.

Omni collapse blamed on borrowing

THE COLLAPSE of the Swiss Omni group was partly the result of too high a degree of financing with borrowed funds, according to a report by Coopers & Lybrand, the accountants appointed by the administrators, Reuter reports from Zurich.

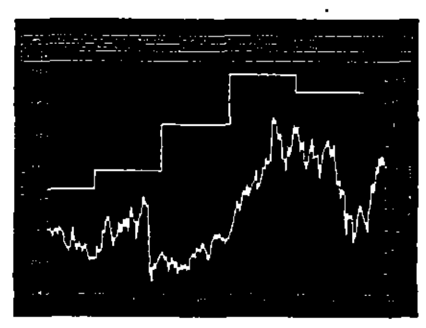
The Omni group was once the flagship of the financial empire of Mr Werner Rey, the Swiss entrepreneur who last month filed for personal bankruptcy. Omni Holding and its subsidiary Omni Beteiligungen applied for liquidation and the sale of its assets in July.

It had already been in court administration since April, after finding itself in a credit squeeze as the market value of its investments dropped while interest rates rose.

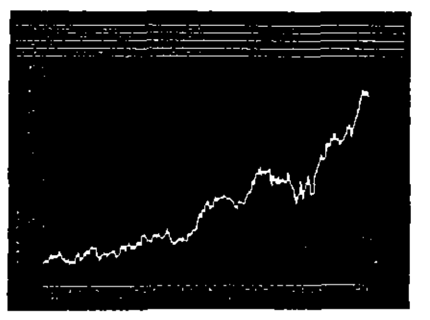
Coopers & Lybrand, in a summary of its report to the judge responsible, said that at the end of 1990, total Omni Holding investments were around SFr3.3bn ($2.2bn).

These investments were financed by SFr1bn in shareholders' equity, SFr1bn in mortgage-backed external funds and uncovered loans of SFr1.3bn. The report also said Omni was inseparable from Mr Rey himself, and that Mr Rey made "no distinction between his own personal finances and those of the Omni group".

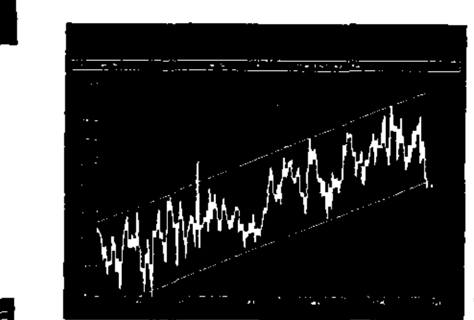
It noted Mr Rey, who it said had a personal debt of SFr440m to the Omni group, could take decisions about long-term funding transactions of up to SFr50m and short-term transactions of up to SFr100m.



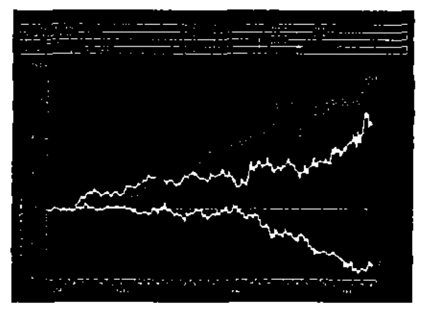
"I knew the market over-reacted to this slight dip in profit."



"Look how our fund has outperformed the FTSE unweighted index."



"We could have reached a turning point here."



"The trustees will be pleased when they see FT Graphite's – ahem, my charts."

FT LAW REPORTS

Reinsurance dispute cannot go to arbitration

HARBOUR ASSURANCE CO (UK) LTD v KANSA GENERAL INTERNATIONAL INSURANCE COMPANY LIMITED & OTHERS

Queen's Bench Division (Commercial Court): Mr Justice Steyn: July 31 1991

AN ARBITRATION clause contained in a written contract, if in sufficiently wide terms, empowers the arbitrators to hear disputes as to termination, avoidance and validity, including initial validity, of the contract, because in such cases the clause giving rise to their power is separable from and survives the contract. But on an issue of initial, as opposed to intervening, illegality of the contract, the arbitrator has no power because the clause is not separable and the dispute must be heard by the court.

Mr Justice Steyn so held when refusing applications by the defendants, Kansa General International Insurance Co Ltd and others, for a stay of proceedings by which the plaintiff, Harbour Assurance Co (UK) Ltd, claimed a declaration that it was not liable to the defendants under allegedly illegal retrocession agreements.

HIS LORDSHIP said that the defendants were Finnish insurance and reinsurance companies. The plaintiff was an English insurance and reinsurance company.

It was the plaintiff's case that the defendants carried on unauthorised insurance or reinsurance business in 1980, 1981 and 1982, in breach of the Insurance Companies Acts 1974 and 1981. By a quote share obligatory retrocession agreement the plaintiff had agreed to reinsure the defendants in respect of risks retroceded for 1980, 1981 and 1982.

The plaintiff alleged that the underlying insurance and reinsurance contracts were illegal and that the retrocession agreements were therefore illegal, null and void. It said *Phoenix General Insurance Co of Greece SA [1988] QB 242* settled the question in its favour.

In *Phoenix* Lord Justice Kerr said "... any reputable reinsurers, solicitous of their good name and reputation, will no doubt hesitate long before relying on this defence".

That hope was not fulfilled. The plaintiff had raised the defence. The defendants contested the allegations.

The quote share obligatory retrocession agreement contained an arbitration clause: "All disputes or differences arising out of this agreement shall be submitted to arbitrators..."

The plaintiff sought declarations that it was not liable under the retrocessions. The defendants applied for an order that the action be stayed pursuant to section 1 of the Arbitration Act 1975.

Mr Justice Gatehouse ordered preliminary issues to be tried as to whether, by reason of illegality, the arbitration agreement was null and void; and whether there was a dispute within the meaning of the arbitration agreement.

Arguing for a stay, the defendants submitted that as a collateral, severable and self-contained agreement, the arbitration clause survived the hypothetical illegality of the retrocessions. The plaintiff submitted that disputes as to initial validity or illegality of a contract containing an arbitration clause, were never arbitrable.

The principle of separability of an arbitration agreement only arose if that agreement formed part of a written agreement, and where the challenge was directed, not at the arbitration clause but at the contract which contained the arbitration clause.

In *Heyman v Darwins [1942] AC 356* it was held that an arbitrator had jurisdiction to decide whether the contract was brought to an end by accepted repudiation.

Mr Longmore for the plaintiff, submitted that *Heyman v Darwins* laid down binding precedent that a dispute as to whether the contract was void *ab initio* [from the beginning] was not arbitrable. He relied on speeches of Lord Simon LC and Lord Macmillan. Lord Simon said that if the contract was void *ab initio* the arbitration clause was void; and Lord Macmillan said that a claim to set aside a contract on grounds of fraud, duress or essential error could not be referred to arbitration.

While those *dicta* supported Mr Longmore's submission, they did not form part of the *ratio decidendi* of *Heyman v Darwins* in the sense that they were binding precedent. They were unnecessary for a decision on whether an accepted repudiation was within the arbitration.

In *Bremer Vulkan [1981] AC 909* Lord Diplock said: "The arbitration clause constitutes a self-contained contract collateral or ancillary to the shipbuilding contract itself."

Since *Heyman* there had been a remarkable shift in the cases from a policy of extensive judicial scrutiny of arbitration to recognition of the need for respect of party autonomy.

It was clearly established that if a contract was terminated for breach, repudiation and frustration, the arbitrator was still entitled to deal with disputes flowing from the ending of the contract. The arbitration clause survived a declaration that the contract was terminated.

Disputes as to avoidance for innocent or negligent misrepresentation, undue influence or duress might be referred to arbitration. In such cases a widely-drawn arbitration clause would survive avoidance of the contract.

There could be no reason for a different rule in the case of avoidance for fraud. In the light of developments since *Heyman v Darwins*, Lord MacMillan's statement in *Heyman* that a claim to set aside the contract on the ground of fraud or duress was not arbitrable, was no longer the law.

There was no binding authority as to whether an arbitration clause could survive a contract which was invalid *ab initio*.

When the principle of separability was unrecognised, the logic of saying that the arbitration clause followed the misfortunes of the contract was inescapable. Once it became accepted that the arbitration clause was a separate agreement, the logical impediment to referring an issue of invalidity disappeared.

The separability principle, as applicable to cases of initial invalidity, was sound in legal theory. It was also in the public interest that the arbitral process, founded on party autonomy, should be effective.

An arbitration clause was capable of surviving initial invalidity of the contract.

The plaintiff said the retrocessions were illegal and void *ab initio*.

If the approach the court had adopted was correct, it would be consistent to say that an issue as to initial illegality could be referred to arbitration. An issue as to supervening illegality could be referred.

In *Smith, Coney & Barrett v Becker Gray & Co [1916] 2 Ch 86* Lord Cozens-Hardy said that if the contract was illegal, "then any question of arbitration under the contract would fall with it".

The contract was not illegal, but in *David Taylor [1953] 1 WLR 562*, where an award under an illegal contract was set aside, Lord Justice Singleton quoted Lord Cozens-Hardy's *dictum* in *Gray*. Lord Denning said "the court has jurisdiction to set aside an award based on an illegal contract"; Lord Hodson said it was clear from *Gray* that the court would prevent arbitration on an illegal contract.

The *Gray* headnote suggested it was decided on the basis of the arbitrators' misconduct. If that was the case, it was not authority that illegality of the contract could not be determined under an arbitration clause.

On balance, though, it seemed that *Gray* must be regarded, at first instance at least, as authority that an issue of initial illegality was always beyond an arbitrator's jurisdiction.

That was how Mr Justice Mocatta interpreted it in *Prodexport [1973] 1 QB 389*, 395-398. The present court felt compelled to do the same.

While the distinction between initial invalidity and illegality was not one which should nowadays prevail, *Gray* compelled the court to hold that the principle of separability did not extend to *ab initio* illegality of the contract in which the arbitration clause was embedded.

The application for a stay of the illegality issue must be dismissed.

Had separability extended to *ab initio* illegality, the arbitration clause would have been wide enough to cover such a dispute.

For the plaintiff: Andrew Longmore QC and Timothy Saloman (Clifford Chance).

For the second defendant: Sydney Kentridge QC and Mark Howard (Barlow Lyde & Gilbert).

For the other defendants: William Wood (Lovell White Durrant).

Rachel Davies

Barrister

INTL COMPANIES & FINANCE

USAir seeks pay cuts of up to 20% as losses mount

By Nikki Tait in New York

USAIR, the sixth largest US carrier, has warned that it is seeking pay cuts of up to 20 per cent in an attempt to reduce its annual operating costs by $400m.

The company, whose route structure is heavily oriented to the east coast, has already warned of a $500m-plus loss in 1991, and said that it was equally gloomy about the prospects for 1992. Yesterday, the airline announced a third-quarter loss of $81.4m after tax, bringing the deficit so far this year to $306.9m.

USAir, whose shares rose $⅝ to $8⅝ yesterday morning, said it planned to prune a further $100m from its 1992 costs by reductions in non-payroll expenses. The airline claimed this sum could be found in its "general expenses".

USAir has open contracts – that is, up for negotiation – with its three principal unions and is holding talks at present. It said that it would implement its suggested "progressive salary reduction plan" for non-contract employees once one of its three major unions agreed to do the same.

USAir officers, however, will take salary reductions from the start of 1992, regardless of union agreements.

Under the plan, USAir said it would make no reduction to salaries under $20,000; would lop 10 per cent off the next $30,000 of base salary; 15 per cent of the next $50,000; and 20 per cent off salary in excess of $100,000. The airline is also asking non-contract employees to contribute 10 per cent of the cost of medical and dental benefits.

The immediate response from the pilots' union was to agree to call in outside consultants to study the company's financial condition, and to state that it would only discuss pay and benefits in the context of contract negotiations.

During the third quarter, USAir's operating revenues totalled $1.6bn, compared with $1.64bn a year earlier. Operating expenses fell from $1.77bn to $1.64bn, leaving a reduced operating loss of $45.4m, compared with $130.2m. The passenger load factor fell from 61.6 per cent to 60.7 per cent.

The airline has already reduced staff by around 7,000 and realigned its hub operations. Some facilities have been closed and new aircraft purchases rescheduled. Nevertheless, the airline is still applying for new US-Europe routes.

Paper prices hit Boise Cascade

By Martin Dickson in New York

BOISE CASCADE, the US forest products group, yesterday underscored the sharp cyclical downturn in the paper industry when it reported a third-quarter loss of $14.3m, which it blamed mainly on worsening paper prices.

The loss, which worked through at 47 cents per share, fully diluted, compared with net income of $13.9m, or 27 cents a share, in the third quarter of last year.

Figures for the latest quarter included a gain of $1.02 a share from the sale of timberland and a reserve of 25 cents a share to cover disposals and restructurings. Sales totalled $1bn, down from $1.1bn.

The US industry has been hit hard by recession and an excess of manufacturing capacity as plant ordered during the upswing of the late 1980s comes on stream.

Boise, a net buyer of wood chips, said its paper business had also been hit by the growing cost of chips in the Pacific Northwest, where conservationist pressures have led to huge acreages of public timberland being withdrawn from commercial harvesting.

The company said its paper and paper-related business had suffered its second quarterly operating loss ever – the first being in the previous quarter – as prices for newsprint, coated papers, market pulp, containerboard and uncoated white papers remained severely depressed.

While price increases had been announced, or taken effect for, containerboard or uncoated white papers in the third quarter, the positive impact was not expected to be felt until the fourth quarter.

Boise added that paper prices appeared to be at or near the bottom of the cycle and the pace and strength of their recovery would depend largely on the nature of a US economic upturn.

For the nine months the company suffered a net loss of $63.7m, or $1.95 a share, compared with net income of $70.5m, or $1.52 a share, for the same period of 1990.

Newmont Mining looks to make acquisitions

By Kenneth Gooding, Mining Correspondent

NEWMONT MINING, North America's biggest gold producer, had $58m cash, a revolving credit arrangement for $540m, and was looking for precious metals acquisitions to boost growth, Mr Gordon Parker, chairman, said yesterday.

However, Newmont was not looking for "fully-priced gold companies that merely will add ounces to reserves and production at a very high purchase cost" but "immature properties", mainly in North America, which might benefit from the group's expertise and technology.

Mr Parker, in Europe for the listing of Newmont Mining on the Paris bourse and Swiss stock exchanges, made clear the company's earnings depended heavily on the price of gold.

Gold production, which last year peaked at 1.676m troy ounces and was three times the 1986 level, will now stabilise: Mr Parker forecast production of 1.55m ounces this year, 1.6m in 1992 and 1.7m in 1993. But every $10 an ounce on the gold price meant an $11m increase in Newmont's earnings, he pointed out.

Mr Parker, and Newmont's biggest shareholder, Sir James Goldsmith, the Anglo-French financier who has more than $1bn of his personal wealth tied up in the company's shares, are both bulls of gold.

Mr Parker said supply and demand pointed to an expected shortage of physical gold. He recalled that Sir James believed that a collapse of the US dollar was likely and this would see gold return to favour in a monetary role.

Hanson, the Anglo-American conglomerate, owned the 49.1 per cent stake recently sold to companies controlled by Sir James and Lord (Jacob) Rothschild.

General Cinema extends HBJ offer

By Nikki Tait in New York

GENERAL CINEMA, the US retailing and entertainment group, yesterday announced it was extending for a further week its tender offer for the publicly-traded bonds of Harcourt Brace Jovanovich (HBJ), the publishing house.

However, it stressed that this was the last extension it intended to make. "Our willingness to continue this process is at an end," said General Cinema.

"If we failed to reach the required 90 per cent acceptance rate for each class of the publicly traded bonds by the close of business on Monday, October 21, we will permit the tender offers to expire and terminate the merger agreement."

The deal between HBJ and General Cinema has hung in the balance for many months. General Cinema let an earlier offer expire after opposition from some bondholders last April. It came back with the current, revised offer, which has already been extended.

In the five separate classes of HBJ bonds, General Cinema has only reached the 90 per cent level in one case – the 13 per cent senior notes. Elsewhere, the bidder has seen between 81 and 89 per cent tendered. Overall, 87.4 per cent of all bonds have been tendered.

Utd Technologies to reduce staff

UNITED TECHNOLOGIES, the US aerospace, automotive and building products group, is reducing its corporate staff of 1,000 by 25 per cent over the next few months, writes Alan Friedman. The cuts are part of a plan announced in August to reduce costs by $1bn a year by the end of 1993. United Technologies reported an 80 per cent slump in second quarter profits, to $43.3m.

INTERNATIONAL COMPANIES AND FINANCE

New Zealanders lay claim to Aussie icons

Kevin Brown on Lion Nathan's bid to own some of Australia's most beloved beers

The Australian newspapers pulled few punches after the surprise announcement of an agreed takeover offer by Lion Nathan of New Zealand for Australian Consolidated Industries (ACIL), the brewing and petroleum group.

"Foreign threat to Aussie beer," the Sydney Morning Herald's writers told readers. "NZ group gobbles up Aust brewery," said the more sedate Financial Review. "Lion pounces," snapped Mr Rupert Murdoch's Telegraph Mirror.

Significantly, Lion took the precaution of obtaining an Australian listing before announcing the deal. But, for some, that will be scant consolation for the loss of such cultural icons as Toohey's, Castlemaine XXXX and Swan.

Lion Nathan has been running the breweries since winning 50 per cent ownership and management control a year ago in the sale of assets which followed the break-up of Mr Alan Bond's Bond Corporation Holdings.

However, the hostile reaction to its move for 100 per cent ownership echoes the response to a previous upheaval in the brewing industry during the 1980s, when Mr John Elliott and Mr Alan Bond reduced the number of leading breweries from eight to two.

In the process, Bond Brewing and Mr Elliott's Elders IXL, now renamed Foster's Brewing, carved out a joint market share of 94 per cent and virtually ended independent regional brewing.

Perth-based Bond Brewing, which collected brand names the way Mr Bond collected yachts, added Castlemaine XXXX in Queensland and Toohey's in New South Wales to its Swan and Emu brands in Western Australia, and ended with 44 per cent of the market.

However, mismanagement reduced the company's market share to around 36 per cent by the time Bond Corp began to break up last year under the weight of its debts.

After an unsuccessful flirtation with the small Adelaide-based SA Brewing group, Mr Bond eventually sold 50 per cent of Bond Brewing to Lion Nathan and 50 per cent to Bell Resources in a tortuous deal worth A$1.4bn (US$1.11bn).

Bell, then a Bond Corp subsidiary, had once been the vehicle for an unsuccessful raid by Mr Robert Holmes à Court on Broken Hill Proprietary (BHP), Australia's biggest company.

Divorced from Bond, Bell was renamed ACIL by Mr Geoff Hill, the Sydney merchant banker brought in to manage its half of Bond Brewing and a 96 per cent stake in Weeks Petroleum, a small Australian oil company.

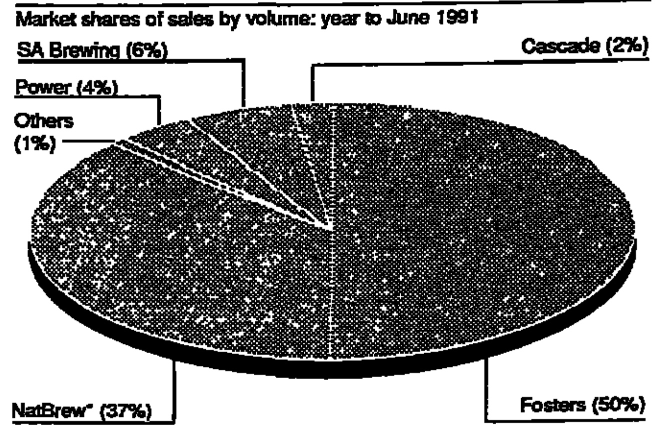
The deal maintained 50 per cent Australian ownership of National Brewing's famous brand names. But it left ACIL dependent on its banks to finance its share of interest payments on National's A$925m debt, plus residual payments of A$88m to Lion and A$160m to US bondholders.

The payment to Lion – part of the deal with Bond Corp – was made on time in August, preventing Lion from moving to acquire the breweries by default. The banks finally pulled the plug last week when it became clear ACIL would have to borrow further funds to pay the US bondholders.

With nowhere else to go, ACIL was forced to ask Mr Douglas Myers, Lion's chief executive and principal shareholder, to advance the cash. Mr Myers agreed to supply A$140m, but his price was an agreed takeover delivering full control of National Brewing.

The deal provides for the issue of one Lion Nathan share for every 10 ACIL shares, valuing the company at A$152m. Including the A$140m advance, Lion would get ACIL's half of National Brewing for A$292m. After taking into account its existing net investment of A$350m, it would have acquired the Australian breweries for A$642m in cash and shares.

Australian beer
Market shares of sales by volume: year to June 1991



* National Brewing Holdings (ACIL 50% Lion Nathan 50%)
Source: CS First Boston

The deal is conditional on holders of around A$350m of ACIL's Swiss franc and US dollar bonds agreeing to convert their holdings into subordinated capital notes convertible into Lion Nathan shares at 90 per cent of the Lion share price at the time of the conversion.

Lion is issuing NZ$200m (US$113.6m) in new equity to help finance the deal, but says earnings per share will rise from 18.6 New Zealand cents a share to 34 cents, sufficient to cover interest 1.4 times.

Mr Myers said he was confident that the bond holders would accept the deal. But in case they do not, Lion has a back-up call option to acquire ACIL's half share in National Brewing for A$425m plus 50 per cent of 1991-92 profits.

Lion has also given ACIL a put option to sell its National Brewing interest for A$420m plus 50 per cent of earnings if the call option is not exercised. The put option would allow ACIL to repay Lion Nathan's A$140m cash advance.

The deal appears to be a coup for Lion, but analysts said it could be upset if ACIL shareholders hold out for more value. Around 60 per cent of ACIL is controlled by Bell Group and Adelaide Steamship, both of which are controlled by banks facing the possibility of substantial bad debt losses. "The decision on the merger is in their hands," ACIL said.

If the deal does go through, the addition of the Australian beers to Lion's existing 56 per cent market share in New Zealand would make it Australasia's biggest beverages group.

Lion already markets its New Zealand Steinlager beer internationally, and is likely to want to boost overseas sales of Swan and Castlemaine XXXX, which it sees as potential volume competitors to Foster's, brewed in the UK by Courage.

Foster's, which is 20 per cent owned by Asahi of Japan, has made no comment on the deal, but will be watching closely for an increase in competition which could threaten its 50 per cent share of the 1.9bn litres a year domestic market.

Mr Peter Bartels, who replaced Mr Elliott as Foster's chief executive last year, has stabilised the group following stock market anxiety last year, and is refocusing it around Foster's lager in Australia, and its interests in Courage in the UK and Molson in Canada.

Foster's faces repeated speculation about Mr Elliott's intentions, especially in relation to the 38 per cent shareholding owned by International Brewing Holdings, formerly Harlin Holdings, Mr Elliott's loss-making private company.

Lion claims to have restored National Breweries market share to 38 per cent over the last 12 months. Foster's disputes the figures, but does not dispute that the New Zealanders will be tougher competitors than Mr Bond.

Alcoa of Australia falls 49% as prices weaken

ALCOA of Australia, the aluminium and gold producer, has blamed lower prices and the high value of the Australian dollar for a 49 per cent fall in net earnings to A$303m (US$240.9m) for the nine months to end-September, writes Kevin Brown in Sydney.

Alcoa yesterday said sales revenue was down 13.5 per cent to A$1.9bn because of a fall in export sales. Export revenue fell in spite of an increase in export volume, reflecting the company's efforts to maintain its share of the highly competitive market.

Alcoa also said that earnings had been affected by lower prices for gold, the impact of a recently introduced tax on gold profits, and the higher cost of natural gas used in smelting.

Earlier this year, Alcoa said net profits for the first half were A$214m, down 45.9 per cent on the corresponding period of the previous year.

Mr Phillip Spry-Bailey, finance director, said earnings had declined further in the third quarter because of falling prices. He said it was "inevitable" that aluminium prices would fall further unless demand increased unexpectedly or production from higher cost smelters was curtailed.

"The aluminium ingot price is at the lowest level in real terms that we have seen this decade," he said. Aluminium prices have fallen to around 54 US cents a pound in recent weeks because of oversupply.

Alcoa is 48.9 per cent owned by Western Mining, the Australian resources group.

● Alcoa, the US parent company, reported that third quarter profits had fallen to $75.9m, or 88 cents a share, a substantial drop from $125.1m, or $1.46, a year ago, writes Barbara Durr in Chicago.

The company said it had been hit hard by declining prices for most of its leading product lines.

For the first nine months of 1991, Alcoa's earnings declined to $254.1m, or $2.97 a share, from $435.6m, or $5.01, a year earlier.

BanCal to be given $250m injection

By Emiko Terazono in Tokyo

MITSUBISHI Bank of Japan said that it would inject $250m into the Bank of California (BanCal), and added that its US subsidiary was considering a staff cut as a part of a restructuring plan aimed at reducing costs by 15 per cent.

The move follows BanCal's increase of loan loss provisions by $200m in order to meet the growing volume of bad property loans.

Mitsubishi Bank said that the fund injection would boost the US subsidiary's capital-to-asset ratio – required by the Bank of International Settlements – from the current 4 per cent to 7 per cent.

For the six months to June, BanCal posted a pre-tax loss of $168m, which it blamed on the increase in loan loss provisions.

Mitsubishi added that BanCal's performance would have a minimal effect on the parent bank's consolidated profits.

New South Wales values GIO flotation at A$1bn

GIO Australia, the fifth largest domestic insurance company, is to be privatised next year in a flotation expected to raise around A$1bn (US$795.2m), the state government of New South Wales (NSW) said yesterday, Kevin Brown writes.

Mr Nick Greiner, the Liberal premier, said the flotation would prepare the way for the privatisation of the State Bank of NSW, the biggest of Australia's state government banks.

However, he said the state bank sale was "a couple of years down the road".

The GIO flotation will be the first full privatisation of an Australian enterprise, following the A$1.3bn flotation of 30 per cent of the Commonwealth Bank by the federal government earlier this year.

The federal government is also in the process of negotiating the placement of majority holdings in Australian Airlines and the Aussat satellite company, and 49 per cent of Qantas, the airline.

Mr Greiner said details of the GIO float have yet to be worked out, but confirmed that the government was likely to impose a ceiling of 10 per cent on individual shareholdings.

He said the flotation would be aimed largely at small shareholders, who would be encouraged to buy parcels of around 500 shares. The minimum share parcel "needs to be large enough to be relevant, small enough to be affordable", Mr Greiner said.

The privatisation is opposed by the public service trade unions and the opposition Labor Party, which urged Mr Greiner's minority government to set up an inquiry.

However, the government believes legislation providing for the privatisation will be enacted shortly with the support of Independents in both houses of the state parliament.

GIO recently reported a net profit of A$95m for 1990-91. The result was a decline of 8.8 per cent on the A$104m profit recorded in the previous year, but compared favourably with the results of the company's major competitors.

INTERNATIONAL CAPITAL MARKETS

Europe subdued as dealers wait out holiday in US

By Tracy Corrigan

TRADING activity in European bond markets was subdued yesterday, as dealers waited out the holiday in the US, to see whether the volatile conditions which dominated the Treasury market last week, will persist when it reopens today.

Prices in the French bond market ended unchanged, unable to maintain earlier gains due to low volume.

The French bond future on the Matif, the Paris futures exchange, briefly broke through a key resistance level at 107.20, but was unable to hold its gains. However, dealers are hoping the market will be strong enough to break out of its current trading range later this week.

Dealers said there was growing speculation there could be a cut in interest rates this week, perhaps to coincide with Thursday's repo, even though the franc is a little shaky.

■ PRICES in the UK gilts market ended slightly lower, especially in medium to longer maturities, also in light volume. Dealers reported continued nervousness after last week's upward adjustment in yields during the Tory party conference, with political uncertainty still overshadowing the market. Money market rates have tightened up, as prospects for another interest rate cut have faded in the face of sterling's weakness.

A slew of economic data due for release this week is expected to have broadly positive implications for the gilts market, but much of it has already been discounted. For example, industrial production and producer prices data due for release later today are expected to reflect improving economic conditions.

■ ACTIVITY in the bund market subsided yesterday, following strong international demand last week, as investors switched out of high-yielding bonds into the bund market.

Prices in the Japanese government bond market were also little changed. The market is likely to remain subdued, with the four largest securities houses virtually excluded from the market from today, as part of the penalty for compensating clients' losses.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	112.8688	+0.758	9.95	10.10	10.63
BELGIUM		9.000	08/01	99.4000	-0.100	9.08	9.07	9.17
CANADA		9.750	12/01	104.7000	+0.200	9.03	8.95	9.50
DENMARK		9.000	11/00	100.3500	-0.030	8.93	8.96	9.11
FRANCE	BTAN	8.500	11/96	98.1765	-0.033	8.95	9.05	9.00
	OAT	9.500	01/01	104.3400	-0.010	8.78	8.83	8.86
GERMANY		8.750	08/01	103.2500	-0.040	8.25	8.25	8.38
ITALY		12.500	03/01	100.3600	+0.150	12.81	12.92	13.04
JAPAN	No 119	4.800	06/99	92.2550	-0.022	6.28	6.22	6.41
	No 129	6.400	03/00	102.2976	-0.132	5.99	5.89	6.08
NETHERLANDS		8.500	03/01	98.7000	-0.030	8.70	8.68	8.77
SPAIN		11.900	07/98	101.0000	+0.180	11.58	11.54	11.45
UK GILTS		10.000	11/96	100-29	-03/32	9.77	9.62	9.61
		10.000	02/01	101-14	-05/32	9.76	9.58	9.59
		9.000	10/08	95-21	-08/32	9.52	9.38	9.41
US TREASURY		7.875	08/01	102-27	+03/32	7.48	7.38	7.64
		8.125	08/21	102-29	+00/32	7.87	7.78	7.92

London closing. Prices: US, UK in 32nds., others in decimal. Yields: Local market standard. *Technical Data/ATLAS Price Sources*

CBOT begins trading options based on MMI

By Barbara Durr in Chicago

THE Chicago Board of Trade has begun trading options on its stock index futures, based on the American Stock Exchange's Major Market Index (MMI).

The CBOT has also adjusted its futures contract to take into account Amex's move to split the value of the MMI, composed of 20 blue chip stocks.

The CBOT doubled the multiplier of the MMI in order to maintain the value of the futures contract. For the new options, the exchange will promote their use through a product sponsor programme.

Sponsors will have their fees waived for two years and accumulate credits for transactions.

HK Stock Exchange agrees reform package

THE Hong Kong Stockbrokers' Association has accepted a revised package designed to bridge disagreement between the stock exchange and its watchdog body, the Securities and Futures Commission (SFC), and reform the exchange, Reuter reports from Hong Kong.

But in reversing its earlier rejection of the package, drawn up by the Exchange Council for an extraordinary meeting scheduled for October 30, the 300-strong association attacked the SFC for being heavy-handed and said the exchange should be allowed to regulate itself.

The SFC has said it would impose a harsher compulsory package if the exchange rejected voluntary reform.

Association chairman Henry Wu said the government should not interfere with the council and should cut the powers of the SFC, particularly its powers to impose statutory reform on the exchange.

A majority of association members accepted an earlier package in August, but the vote did not reach the 75 per cent necessary for passage.

● NIPPON Investment Finance, Daiwa Securities' venture capital company, plans to list shares of its Taiwanese venture capital uniton the Taiwan Stock Exchange, AP-DJ reports from Tokyo.

Daiwa said the shares, in Hotung Venture Capital, were scheduled to be listed around March 1992.

Hotung will be the first venture capital firm to be listed on Taiwan's over-the-counter (OTC) market.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on October 14

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	103	103½		6.53
ALBERTA PROVINCE 9 3/8 95	600	107¼	107½	+⅛	7.24
AUSTRIA 8 1/2 00	400	103¼	103½	+¼	7.96
BANK OF TOKYO 8 3/8 96	100	102⅝	102⅞	+⅛	7.71
BELGIUM 9 5/8 98	250	108⅞	109¼	+¼	7.86
BFCE 7 3/4 97	150	101¼	101¾		7.47
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94	95		9.54
KREDIETCORP 7 93 LFr	1000	95⅜	96⅞		9.55
WORLD BANK 8 96 LFr	1000	96¼	97½		9.06
UNILEVER 9 00 Fl	500	103½	103⅞	+⅛	8.41
BCE INC 9 5/8 93 C$	300	101¼	101⅝	+⅛	8.74
BELL CANADA 10 5/8 99 C$	150	104⅞	105⅜	+¼	9.69
[illegible]					

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
[illegible]					
EIB 4 5/8 94	40000	96¾	97		6.02
FINLAND 6 3/4 96	50000	102¼	102½	-⅛	6.18
GENERAL ELECTRIC 5 3/4 93	35000	99	99½		6.45
INTER AMER DEV 7 1/4 00	30000	107⅛	107⅜	-⅛	6.11
KANSAI ELEC PWR 4 5/8 94	60000	96⅛	96⅜		6.19
NIPPON TEL & TEL 5 7/8 96	50000	99	99⅜		6.11
NORWAY 5 1/8 95	50000	97	97¼		6.18
SNCF 6 3/4 00	30000	104	104¼		6.12
SWEDEN 5 5/8 95	20000	98⅛	98⅜		6.10
WORLD BANK 6 3/4 00	50000	104⅛	104⅜	-⅛	6.06

CONVERTIBLE BONDS	Issued	Cnv. price	Bid	Offer	Prem.
[illegible]					
LAND SECS 6 3/4 02 £	84	6.72	86	87	+14.89
MITSUBISHI BK 1 3/4 02	300	2727.1	120¼	122½	-0.12
OGDEN 6 02	85	39.077	72⅝	73⅝	+46.48
PACIFIC DUNLOP 6 3/4 97	75	3.749	112⅝	113⅝	+0.97
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	86⅜	87¼	
THORN EMI 5 3/4 04 £	103	7.45	116⅝	117½	+9.57

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (‡three-month §above mean rate) for US dollars. C.cpn = The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, October 14, 1991. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	57.8211	34.0188	44.7072
Albania	(Lek)	10.1194	5.8953	3.4685	4.5582
Algeria	(Dinar)	38.6656	22.5258	13.2529	17.4169
Andorra	(Fr Fr)	9.9375	5.7893	3.4061	4.4763
	(Sp Peseta)	183.45	106.874	62.8791	82.6351
Angola	(Kwanza)	103.40	60.2388	35.4413	46.5765
Antigua	(E Carr $)	4.64	2.7031	1.5904	2.09
Argentina	(Austral)	17026.70	9919.43	5836.06	7669.68
Aruba	(Florin)	3.0788	1.7936	1.0552	1.3868
Australia	(Aus $)	2.1500	1.2525	0.7369	0.9684
Austria	(Schilling)	20.470	11.9254	7.0162	9.2207
[illegible]					
Ethiopia	(Ethiopian Birr)	3.5600	2.0739	1.2202	1.6036
Falkland Is	(Falk £)	1.00	0.5825	0.3427	0.4504
Faroe Is	(Danish Kroner)	11.2125	6.5321	3.8431	5.0506
Fiji Is	(Fiji $)	2.5330	1.4756	0.8682	1.1409
Finland	(Markka)	7.0950	4.1334	2.4318	3.1959
France	(Fr)	9.9375	5.7893	3.4061	4.4763
Fr. Cty/Africa	(CFA Fr)	496.875	289.47	170.308	223.818
Fr. Guiana	(Local Fr)	9.9375	5.7893	3.4061	4.4763
Fr. Pacific Is	(CFP Fr)	178.50	103.991	61.1825	80.4054
Gabon	(CFA Fr)	496.875	289.47	170.308	223.818
Gambia	(Dalasi)	15.58	9.0766	5.3401	7.018
Germany	(D-Mark)	2.9175	1.6996	1	1.3141

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Ghana	(Cedi)	650.80	379.144	223.068	293.153
Gibraltar	(Gib £)	1.00	0.5825	0.3427	0.4504
Greece	(Drachma)	323.20	188.29	110.78	145.586
Greenland	(Danish Krone)	11.2125	6.5321	3.8431	5.0506
Grenada	(E Carr $)	4.64	2.7031	1.5904	2.09
Guadaloupe	(Local Fr)	9.9375	5.7893	3.4061	4.4763
Guam	(US $)	1.7165	1	0.5883	0.7731
Guatemala	(Quetzal)	8.7890	5.1203	3.0125	3.959
Guinea	(Fr)	1397.14a(1)	813.947	478.883	629.342
Guinea-Bissau	(Peso)	1118.00	651.325	383.205	503.604
[illegible]					
Morocco	(Dirham)	14.93	8.6979	5.1173	6.7252
Mozambique	(Metical)	3111.40	1812.64	1066.46	1401.53
Namibia	(S A Rand)	4.8560	2.829	1.6644	2.1873
Nauru Is	(Australian $)	2.1500	1.2525	0.7369	0.9684
Nepal	(Nepalese Rupee)	73.616	42.8872	25.2325	33.1603
Netherlands	(Guilder)	3.2875	1.9152	1.1268	1.4808
N'nd Antilles	(A/Guilder)	3.0788	1.7936	1.0552	1.3868
New Zealand	(NZ $)	3.0315	1.766	1.039	1.3655
Nicaragua	(Gold Cordoba)	8.60	5.0101	2.9477	3.8738
Niger Rep	(CFA Fr)	496.875	289.47	170.308	223.818
Nigeria	(Naira)	16.99	9.898	5.8234	7.6531
Norway	(Nor. Krone)	11.3925	6.637	3.9048	5.1317
Oman	(Rial Omani)	0.6620	0.3856	0.2269	0.2981

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	41.00	23.8858	14.0531	18.4684
Panama	(Balboa)	1.7165	1	0.5883	0.7731
Papua New Guinea	(Kina)	1.6255	0.9469	0.5571	0.7322
Paraguay	(Guarani)	2262.50	1318.09	775.493	1019.14
Peru	(New Sol)	1.4825	0.8636	0.5081	0.6677
Philippines	(Peso)	43.00	25.0509	14.7386	19.3693
Pitcairn Is	(£ Sterling)	1.00	0.5825	0.3427	0.4504
	(NZ $)	3.0315	1.766	1.039	1.3655
Poland	(Zloty)	19119.0	11138.4	6553.21	8612.16
Portugal	(Escudo)	249.30	145.237	85.4498	112.297
[illegible]					
		3.06c	1.7826	1.0488	1.3783
Vanuatu	(Vatu)	190.90	111.215	65.4327	85.9909
Vatican	(Lira)	2177.75	1268.72	746.444	980.968
Venezuela	(Bolivar)	94.20	54.8791	32.2879	42.4324
Vietnam	(Dong)	18885.6	11002.4	6473.21	8507.03
Virgin Is-British	(US $)	1.7165	1	0.5883	0.7731
Virgin Is-US	(US $)	1.7165	1	0.5883	0.7731
Western Samoa	(Tala)	4.1070	2.3926	1.4077	1.85
Yemen (Rep of)	(Rial)	20.8120	12.1246	7.1335	9.3747
Yemen (Rep of)	(Dinar)	0.7929	0.4619	0.2717	0.3571
Yugoslavia	(Dinar)	37.8009	22.022	12.9566	17.0274
Zaire Rep	(Zaire)	35255.0	20538.9	12084	15880.6
Zambia	(Kwacha)	129.00	75.1529	44.2159	58.1081
Zimbabwe	($)	8.6690	5.0503	2.9713	3.9049

Special Drawing Rights October 11, 1991 United Kingdom £0.793868 United States $1.36188 Germany D Mark 2.30825 Japan Yen177.044
European Currency Unit Rates October 14, 1991 United Kingdom £0.703411 United States $1.20930 Germany D Mark 2.04796 Japan Yen156.423

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports; (i) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar.
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
(1) Guinea Public Transaction rate discontinued (2) Sudanese Pound rates unified & devalued by 70%
Monday, October 14, 1991

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

Provisional Price for Trading on 13.10.91; Final Prices for Trading on 17.09.91

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh
0030	15.82	16.11	16.11
0100	15.81	16.02	16.02
[illegible]			
2130	18.43	23.63	26.31
2200	18.18	20.46	23.00
2230	17.84	18.95	21.40
2300	17.84	18.30	20.74
2330	16.08	17.83	20.25
2400	15.83	17.73	20.15

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.
NGC Settlements Limited

INTERNATIONAL CAPITAL MARKETS

Deutsche Bank plans merger of London activities

By Simon London

DEUTSCHE Bank said yesterday it intends to merge its London-based capital markets and commercial banking operations.

The move will see the end of Deutsche Bank Capital Markets as a separately capitalised firm, with all securities operations transfered to the London branch.

Mr John Lake, who took over as managing director at DBCM in the summer, said the merger would not entail any redundancies. Deutsche Bank wanted to "show the face of a universal bank wherever possible", he said.

The operations of Morgan Grenfell, Deutsche Bank's investment banking subsidiary will not be affected.

Mr Lake confirmed Deutsche Bank's intention to begin operation as a market-maker in the UK government bond market early next year.

The bank envisages an initial capital commitment of around £10m to the gilt market, placing it among the top "second tier" firms. The operation will employ 14 people, including back-office staff.

The timing of Deutsche Bank's entry to the gilt market has yet to be decided and is subject to Bank of England approval. However, Mr Lake said he hoped to start operations around the end of the first quarter of next year.

Deutsche Bank is not the only overseas institution which aims to become a gilt-edged market maker (GEMM).

The Bank of England is believed to be considering an application from either Nikko or Yamaichi, the two big Japanese securities firms which do not make a market in UK government bonds.

The number of GEMMs has fallen from 27 to 18 since the market was liberalised in 1986. In this time the amount of capital committed to market-making has fallen from £600m to £400m.

Mezzanine financing slips out of the picture

Michiyo Nakamoto charts the demise of a once-booming by-product of the 1980s buy-out binge

Bid activity appears to be gathering momentum again, but the fortunes of a once-booming by-product of the 1980s buy-out binge – mezzanine finance – is a stark reminder of the casualties left by the decade's financial excesses.

The fall from favour of mezzanine finance was as rapid as its rise to prominence in the heated acquisition environment of the latter eighties.

A high-yielding, high-risk loan, mezzanine grew in popularity as highly leveraged acquisitions, mostly management buy-outs, made it necessary to bring in a tier of debt between senior bank loans and equity.

It was, as one banker put it "the part that made the sandwich work."

Having grown to a peak of £864m in 1989, the amount of mezzanine finance used in deals shrank to £208m the following year and to £52m in the first eight months of this year, or just six per cent of its peak, according to KPMG Corporate Finance.

Few in the market expect the figure to pick up dramatically in the near future.

For one thing, the availability of new money for mezzanine has all but dried up. Many of the prominent suppliers of the late eighties, particularly the US and Japanese banks, have retreated from the market, having been sorely burnt.

The few specialist mezzanine funds that are still active, such as Intermediate Capital Group and Mezzanine Management, were mostly established in the late eighties. "I think it's going to be very tough for specialist funds to raise money," said Mr Paul Piper at ICG.

While it is true that many of the foreign banks absent from the mezzanine market have scaled back their lending activities overall, the risks attaching to mezzanine makes it likely that they will not return for some time yet and not to any great extent.

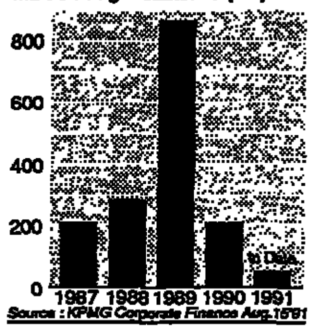
Mezzanine is commonly described as the UK equivalent of junk bonds in the US and unflattering parallels are often drawn between the junk bond debacle and the turbulent history of mezzanine finance in the UK.

Unlike junk bonds, however, mezzanine facilities in the UK are often, although not always, secured against the company's assets. Nevertheless, since they rank below senior lenders, their risk is closer to that of equity providers and their write-downs will need to be all that much larger when a deal faces difficulties.

The large number of MBOs that have ended up in the hands of receivers gives some indication of the blow that has been dealt to mezzanine providers.

Mezzanine finance in the UK

MBOs using mezzanine (£m)



Source : KPMG Corporate Finance Aug.1991

Between 1988 and the first quarter of this year, there were 12 failures of MBOs over £10m. Their combined funding value topped £1bn. The mezzanine element in this amounted to nearly £70m.

The risk rating for MBOs and mezzanine alike rises if those that have not failed but have had to be refinanced are included.

The £630m MBO of Magnet, the kitchen retailer, which included £190m of mezzanine debt and Isosceles's £2.1bn buy-out of Gateway, which incorporated £375m of mezzanine, are two of the larger deals that have required not only a longer-term commitment than the financiers had banked on, but hefty write-downs, if not write-offs, as well.

Even specialist groups such as GE Capital, which sought to establish its position in the UK market by using its experience in acquisition financing in the US, found the going rough.

So rough that GE Capital, which had a £70m mezzanine exposure to Magnet, has resorted to taking legal action against the company and its advisers, claiming that negligence on their part should entitle it to raise the ranking of its mezzanine loan.

Equally, borrowers are increasingly unwilling to take on mezzanine debt while the need to do so has diminished in the weakened economic climate, according to Mr Rupert Wiles at 3i, the venture capital group that is also still active in the market.

"The demands for mezzanine have contracted quite a lot due to a fear of debt and the fact that mezzanine is quite expensive," said Mr Wiles.

Margins on senior debt have risen to at least 2 per cent over the London interbank offered rate (Libor), if not 2.5 per cent, from margins of 1.25 per cent on fine deals two years ago. But margins for mezzanine are closer to 4 per cent over Libor, Mr Wiles pointed out.

The sharp drop in prices generally being paid for companies has also meant that there is less of a need to include mezzanine as part of the package.

By 1990 the average size of management buy-outs in the UK had shrunk from a peak of £14.4m in 1989 to £5.6m. The figure fell further to £4.9m in the first half of this year. Whereas nearly half of MBOs in 1989 used mezzanine, only about a third of the deals so far this year include a mezzanine strip, according to KPMG.

In the current economic climate there are also more distressed sellers at knock-down prices and the use of vendor loans in which the seller provides the buyer with a loan has increased.

However, Mr Jean-Loup de Gersigny, executive director of ICG, dismisses the idea that the role of mezzanine has diminished. "To say that mezzanine finance has fallen out of favour is a fallacy," he said.

Although the total value of mezzanine has fallen in line with the value of deals done, the proportion of the average deal covered by mezzanine has been relatively stable at 15 per cent, against 18 per cent in 1989, according to KPMG Corporate Finance.

This is in part because, while the equity proportion of deals has increased from about 20 to 30 per cent, the senior debt proportion has fallen from 65 per cent in 1989 to about 50 per cent or less.

Mr Wiles at 3i also expects that while the banks continue to need to maintain a tight grip on credit, the need for mezzanine will increase along with the need for capital as corporations resume acquisition activity.

Others say that still extant mezzanine funds, which have been deprived of much business lately, will be seen scouring for new opportunities, once the economic upturn comes.

Primerica advances on earnings growth

By Patrick Harverson in New York

STRONG earnings growth from its investment banking operations helped Primerica, the US financial services group post a 31 per cent rise in third-quarter profits to $123.5m. In the same quarter last year, Primerica earned $94m.

The chief contribution came from Smith Barney, the group's Wall Street broking house, which made record profits of $35.9m. The firm made just $11.2m a year ago, when the securities industry was deep in recession.

The continued strength of the domestic securities markets, boosted revenues across the board at Smith Barney, most notably from investment banking, principal trading, asset management and broking commissions.

Primerica's mutual funds, asset management and mortgage banking businesses also prospered in the July to September period, producing $12.1m in profits.

Margaretten, the group's mortgage banking arm, performed well. The total of assets managed by Primerica's investment subsidiaries rose 18 per cent from a year ago, to $47.4bn by end-September.

The consumer finance division enjoyed a solid quarter, earning $45.9m, against $42.6m at the same stage a year earlier, but insurance remained problematical. Earnings from Primerica Financial Services, the insurance unit, were again disappointing at $44.1m, virtually unchanged from the third quarter of 1990.

Welsh Water raises £75m to fund diversification

By Simon London

WELSH Water yesterday raised £75m in the international bond market, funds which will be used to finance the company's diversification away from its core water business.

INTERNATIONAL BONDS

The 11-year bond issue carries a coupon of 10¾ per cent and was priced to yield 89 basis points more than UK government bonds.

This was around 5 basis points more than the yield spread of 10-year bonds issued earlier this year by Severn Trent. The issuer is the UK's sixth largest quoted water company, while Severn Trent is the second largest.

The issue will be used partially to refinance the company's 14.9 per cent shareholding in South Wales Electricity. The holding is the maximum allowed by the UK regulatory authority and is valued at around £50m.

Like the Severn Trent issue, which was also to finance expansion into areas outside the core business, yesterday's deal was made through the holding company and does not carry the guarantee of the water utility. But the holding company must maintain ownership of the core water business for the life of the bonds.

The issue was well received in an otherwise subdued Eurobond market. The deal was sold mostly to UK institutional investors although Baring Brothers, the lead manager, reported continental European buying. The deal traded around the fixed reoffer price of 99.15 during the day.

Elsewhere, Dresdner lead managed a $200m five-year issue for BMW Leasing, priced to yield 50 basis points over US Treasury bonds. The deal was launched too late in the day for even a full syndicate of banks to be formed, but syndicate officials in London were adamant last night the yield spread was at least 10 basis points too tight.

Although a popular name among retail investors, BMW is seen as being of single-A credit-quality, although it has no formal credit rating. In addition, syndicate managers were bemused by the decision to launch the deal so late in the day while the US markets were closed for a public holiday.

The late launch may have been designed to beat an expected flurry of Eurodollar bond issues by corporations this week.

Energie Beheer Nederland, the Dutch state-owned energy company, launched a Fl 500m seven-year bond issue, lead managed by ABN Amro.

The deal was the first international bond issue by the borrower and the first in the sector to use the fixed re-offer method of syndication.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
BMW Leasing Corp(a)†	200	7⅜	101.45	1996	1⅞/1⅝	Dresdner Bk
STERLING						
Welsh Water(a)†	75	10¾	100¾	2002	2/1.8	Baring Bros.
D-MARKS						
Bque.Nationale d'Paris(a)†	200	8¼	102.65	2001	2½/1½	Dresdner Bk
Crediop Overseas Bk(a)†	130	8¼	102⅜	2001	2½/1½	Dresdner Bk
GUILDERS						
Energie Beheer N'land(a)†	500	8¾	100.40	1998	1/⅝	ABN Amro
SWISS FRANCS						
Credit Local de France(a)★★†	100	7¼	102	1996	-	Bque.Paribas (Suisse)

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable.

Mexico reveals details of steel privatisation

MEXICO has announced the terms of the sale of the nation's three state-owned steel companies, in a privatisation that could be worth close to $650m, writes Damian Fraser in Mexico City

The finance ministry said bids for the three companies – Altos Hornos de Mexico (Ahmsa), Sicartsa 1, and Sibalsa – have to be posted on November 18. The ministry will accept offers in the form of cash and debt; a formula developed by S. G. Warburg and available to all bidders, will express the monetary equivalent of such bids.

Ahmsa, the largest of the three steel works, can produce 2.7m tonnes of flat steel. It made nearly $100m in operating profits last year, but investment costs, interest and redundancy payments turned that into a net loss.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS — Monday October 14 1991

Figures in parentheses show number of stocks per section

		Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1991 to date	Fri Oct 11 Index No.	Thu Oct 10 Index No.	Wed Oct 9 Index No.	Year ago (approx) Index No.
71	Investment Trusts (70)	1224.76	-0.3	-	3.52	-	27.02	1228.56	1238.49	1247.24	988.23
99	ALL-SHARE INDEX (661)	1241.30	+0.5	-	4.79	-	36.63	1234.68	1241.04	1247.10	1014.56

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Oct 11	Oct 10	Oct 9	Oct 8	Oct 7	Year ago
FT-SE 100 SHARE INDEX♦	2574.5	+19.5	2574.5	2538.1	2555.0	2570.8	2584.1	2599.5	2596.2	2101.9

FIXED INTEREST

	PRICE INDICES	Mon Oct 14	Day's change %	Fri Oct 11	Accrued interest	xd adj. 1991 to date
	British Government					
1	Up to 5 years (28)	121.74	+0.03	121.71	1.53	9.94
2	5-15 years (27)	134.15	-0.08	134.90	1.62	11.21
3	Over 15 years (9)	142.90	-0.20	143.19	1.91	10.60
4	Irredeemables (6)	160.02	+0.19	159.71	3.96	8.83
5	All stocks (70)	132.58	-0.05	133.02	1.66	10.85
	Index-Linked					
6	Up to 5 years (2)	166.07	+0.05	165.99	0.14	3.16
7	Over 5 years (9)	149.21	+0.17	149.36	0.52	3.83
8	All stocks (11)	150.41	+0.15	150.52	0.46	3.81
9	Debs & Loans (68)	113.53	+0.06	113.65	1.98	8.53

	AVERAGE GROSS REDEMPTION YIELDS		Mon Oct 14	Fri Oct 11	Year ago (approx.)
	British Government				
1	Low	5 years	8.73	8.70	10.71
2	Coupons	15 years	9.49	9.48	10.90
3	(0%-7¾%)	20 years	9.49	9.48	10.90
4	Medium	5 years	9.77	9.77	11.59
5	Coupons	15 years	9.63	9.61	11.34
6	(8%-10¾%)	20 years	9.58	9.56	11.25
7	High	5 years	9.97	9.96	11.69
8	Coupons	15 years	9.71	9.69	11.56
9	(11%-)	20 years	9.63	9.62	11.50
10	Irredeemables	†	9.68	9.70	11.01
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	3.78	3.79	4.23
12	Inflation rate 5%	Over 5 yrs	4.20	4.21	4.40
13	Inflation rate 10%	Up to 5 yrs	3.12	3.12	2.93
14	Inflation rate 10%	Over 5 yrs	4.01	4.02	4.20
15	Debs &	5 years	11.29	11.28	13.43
16	Loans	15 years	11.13	11.12	12.80
17		25 years	10.97	10.96	12.42

♦Opening index 2548.0; 9 am 2543.1; 10 am 2557.7; 11 am 2562.5; Noon 2567.6; 1 pm 2566.4; 2 pm 2569.7; 2.30 pm 1571.1; 3 pm 2571.0; 4.10 pm 2573.7; (a) 4.30pm (b) 8.43am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, Ibex House, 42-47 Minories, London EC3N 1DY. Tel: 071-702 0991.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	17	32	34
Corporations, Dominion and Foreign Bonds	5	6	9
Industrials	279	286	929
Financial and Properties	96	185	479
Oils	30	12	48
Plantations	2	0	8
Mines	37	21	95
Others	46	35	60
Totals	512	577	1,662

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Earnings based on preliminary figures. Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Oct 7
- Last Dealings Oct 18
- Last Declarations Jan 9
- For settlement Jan 20

For rate indications see end of London Share Service

Calls in; Angila TV, ASDA, Aspen, Aviva Pet., Conroy Pet., HTV, Lee (A), LEP, Medeva, Proteus, Ratners, Thames TV, Tiphook, TV-am, Yorkshire TV. Puts in; Brent Walker, Shanks & McEwan, Tiphook. Puts and Calls; LEP, Premier Cons.

LONDON TRADED OPTIONS

Option		CALLS Nov	Feb	May	PUTS Nov	Feb	May
Brit Aero (*379)	360	30½	47½	52½	7½	16	28
	384	16	35½	39½	16½	27	41
Hawker Sidd. (*749)	700	58½	63½	75	6½	10½	12
	750	24½	32½	41½	28½	30½	31½

FT-SE Index Calls 4,195 Puts 4,472
Euro FT-SE Calls 135 Puts 113
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months. Premiums shown are based on middle prices.

UK COMPANY NEWS

Higher redundancy costs adversely affect profits

Lucas falls 56% and sees no sign of recovery

By Andrew Bolger

LUCAS INDUSTRIES reported a 56 per cent drop in annual pre-tax profits and said there was absolutely no sign of recovery in its main markets, automotive and aerospace components and technology systems.

The company, which issued a profits warning in July, said the recession – with lower volumes and higher redundancy costs – had depressed profits for the year to July 31, particularly in UK automotive operations.

The group shed 4,500 jobs during the year. Sir Anthony Gill, chairman and chief executive, said reductions of jobs and other costs had been accelerated and would continue until there were clear indications of recovery. Lucas now employs 53,200, reflecting some acquisitions.

However, Sir Anthony said investment had been maintained and new business won, increasing the group's market share in most areas. Lucas shares closed 4p higher at 139p.

Pre-tax profits fell from £191.2m to £83.6m, while sales rose 6 per cent to £2.49bn. An unchanged final dividend of 4.9p maintained the total at 7p, just covered by earnings per share of 8.2p (20.2p).

At the operating level profits fell by £93.9m to £113.5m, with Lucas Automotive accounting for £84.5m of the change. Some 60 per cent of the fall occurred in the UK, but all geographic areas were affected by adverse market conditions.

Maintaining the dividend, against the background of significantly reduced UK profits, increased the taxation charge from 23 per cent to 37.5 per cent because of unrelieved advance corporation tax.

But overall the tax charge fell from £44m to £31.5m, although interest costs rose from £16.2m to £29.9m.

Lucas said that in recent years the costs associated with job cuts to maintain productivity at competitive levels had been offset by profits from property sales. But in the year to July, redundancy costs grew by £12.7m to £24.4m and property profits fell £6.7m to £2m.

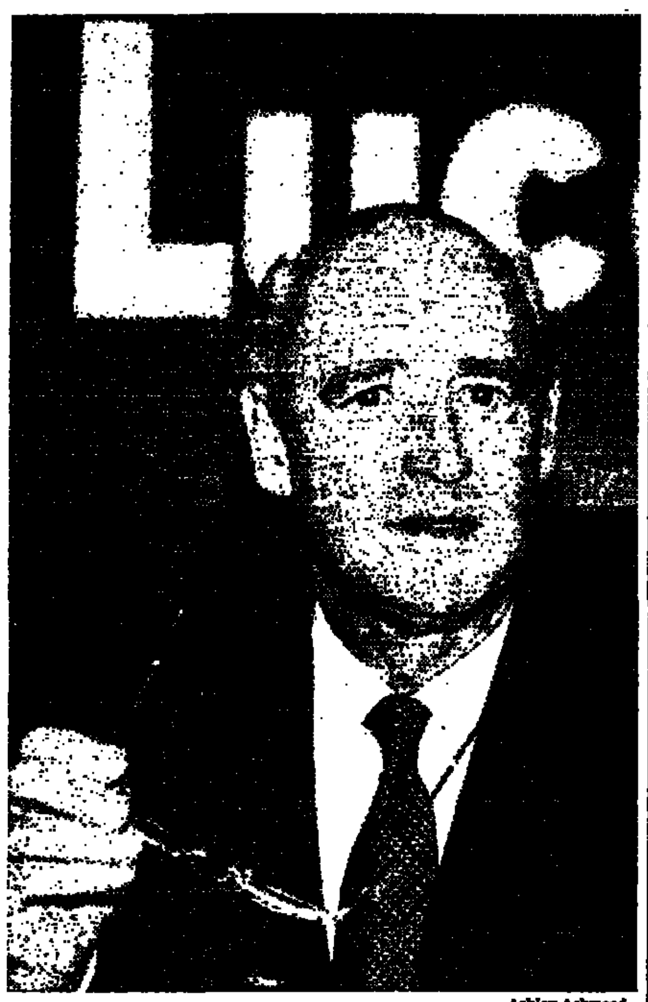
Research and development expenditure, after deducting recoveries from third parties, rose by £5.3m and depreciation by £11.9m, which Lucas said reflected the group's sustained investment programme. Other engineering costs, to win new business and increase market share, also rose.

Lower profitability was the principal factor causing an overall negative cash flow from operations of £16m. Net borrowings increased from £176m to £327m, representing a gearing level of 39 per cent compared with 21 per cent.

Lucas is seeking to claw back £90m from a surplus in the group's pensions scheme, but the proposal has been challenged by a former trustee. The Occupational Pensions board will next meet in November when Lucas hoped it would decide the matter. If and when Lucas receives the refund, gearing would be cut from 39 per cent to 26 per cent.

Lucas Automotive sales of £1.47bn were similar to last year's levels, but reflected an overall reduction output of about 3 per cent. Lucas Aerospace sales of £751m were up 11 per cent on last year.

See Lex



Ashley Ashwood

Sir Anthony Gill: job reductions would continue until there were clear signs of recovery

Partner sought for Polly Peck subsidiary

By David Barchard

THE ADMINISTRATORS of Polly Peck International, the collapsed electronics and fruit conglomerate, may seek a strategic partner for Vestel Elektronik Sanayii, the group's consumer electronics subsidiary in Turkey.

The administrators are also hoping that Mr Richard Stone of Coopers & Lybrand Deloitte, the administrator handling the affairs of Polly Peck in the eastern Mediterranean, will be elected to the board of Vestel at its next meeting. This would signal good relations between them and the Turkish subsidiaries of the group.

The move follows the recent sale of a minority stake in Sansui, Polly Peck's Far Eastern electronics subsidiary, to Grande Holdings of Hong Kong.

Unlike Sansui, Vestel is still in the black: in February, it reported a fourfold boost in pre-tax profits for 1990 to TL167bn (£36m). But its share price has been languishing for many months on the Istanbul stock exchange. An 18 per cent stake in Vestel was sold in June 1990 at TL13,500, but for most of this year the shares have been trading at about TL6,000.

Mr Stone said yesterday that he would be looking for a sizeable strategic partner, either inside Turkey or the rest of the world, to take a minority stake in Vestel.

"But it would be wrong to say we have found one so far or are looking for one at the moment," he added. Next week he will fly to Istanbul to confer with Vestel's management about its future.

Granada shows loss of £35m on sale of Canadian rental side

By Bronwen Maddox

GRANADA GROUP, the leisure conglomerate which will discover tomorrow if it has kept its UK broadcasting licence, has incurred a £35m loss on the sale of its Canadian television rental businesses.

The local management will pay a total of £38m for the businesses, which lost £7m before interest costs in the six months to end-March 1991, following a loss of £8m in the year to end-September 1990.

Granada will receive £24m cash immediately, and a further £8m out of working capital over the next year.

The balance is a deferred consideration in the form of interest-bearing loan notes, maturing in four years, and secured against the management's shareholdings.

Mr Graham Wallace, finance director, said: "Of course if the businesses were to go under we would not get all that money, but then we would have been glad to have got some cash out".

The book value of the businesses was £64m, giving rise to a £26m balance sheet write-off.

There will also be £9m of restructuring costs from the disposal, to be treated, with the book loss, as an extraordinary item, for a total loss of £35m.

However, £2m of the restructuring costs, part of an incentive to management to rationalise the business at minimum cost, will be fully released only on repayment of the loan notes.

The group has invested £37m in Canada in the past two years, mainly in additional television sets for rental, in an attempt to stem the losses and to reverse an unsuccessful experiment in focusing on retailing.

The group announced its plans to exit from "peripheral" and lossmaking businesses in May, when it launched a £163m rights issue and sold its bingo businesses for £147m.

After the rights, net debt was £340m, giving gearing of just under 50 per cent.

Granada Television, the subsidiary which makes Coronation Street and World in Action, will discover tomorrow morning if it has retained the broadcasting licence for the north-west of the UK.

Amstrad goes back to its audio business roots

By Alan Cane

AMSTRAD IS returning to its roots in the audio business, two years after it pulled out claiming profit margins were too narrow and the cost of following fashion too high.

Mr Alan Sugar, founder and chairman, said yesterday that he was about to conclude an agreement with Tomei International Holdings, a publicly quoted Hong Kong electronic components and audio equipment manufacturer, which would lead to the formation of a 50:50 joint venture to be based in Bolton, England.

The new company Amstrad Tomei (UK) will distribute audio equipment manufactured in the Far East to key European markets.

The company will own three brand names - Amstrad, which will be used for top of the range products, Fidelity for the middle range and Cascade, Tomei's brand name, for low end products.

Design will also be delegated to the Far East although it is thought that Amstrad's design skills could be called on.

The early success of Amstrad has been attributed to Mr Sugar's skills in marketing basic but impressive looking audio systems – "a mug's eyeful" as Mr Sugar is fond of saying.

He pulled out of the market and closed his Shoeburyness, Essex, factory when profit margins narrowed in the late 1980s.

Now he believes that the market has turned round and that Amstrad can again carve a healthy share out of a business that he believes to be his birthright.

Swiss put £8m into Churchill

By Richard Lapper

WINTERTHUR, the Swiss insurance group, is to pump £8m into Churchill, its UK motor insurance subsidiary, to allow the Bromley-based company to expand.

Churchill has grown rapidly since its establishment in June 1989 and is now among the biggest direct telesales companies in the UK, possibly second only to Direct Line, the Royal Bank of Scotland subsidiary.

According to Mr Martin Long, managing director, Churchill has underwritten 220,000 private car insurance policies in just over two years and expects to sell at least 200,000 more during 1992.

Sales are expected to generate premium income of about £40m in 1991. Mr Long envisages premium income reaching £70m in 1992 and £100m in 1993.

Winterthur injected £35m when it initially set up Churchill. The extra money is needed to improve the company's solvency margin – the ratio betwen capital and premiums.

"This will really allow us to go for it," he said. "We believe that current conditions present an irresistible opportunity for us to win a larger share of the market next year. The [investment] gives us the funding to accelerate expansion plans."

Winterthur expects to increase its staff by 100 before Christmas, increasing its total number of employees to 400.

Mr Long acknowledges that losses have been incurred as a result of the burden of start-up costs in the first two years of operation but expects Churchill to be in the black next year.

"At a time when the traditional insurers are losing money in the car insurance field, we expect to be trading profitably, as anticipated, by the end of our third year of business."

Mr Long expects acquisition costs and expenses to fall to an amount equivalent to about 15 per cent of premiums. This will allow Churchill to carry a loss ratio of 85 per cent and still trade profitably, he said. The company retained 85 per cent of its customers after its first year of trading, a retention rate much higher than those typical in the industry as a whole, Mr Long claimed.

This year's annual advertising budget amounted to £3m and money is available to increase this next year. However, Mr Long said that its cost advantage is allowing it to undercut rivals and means that it is winning business from customers who are increasingly prepared to shop around.

Torday battle extended

The battle for Torday and Carlisle, the engineering group fighting off a hostile bid from Dowding & Mills, was extended yesterday to November 4 after the electrical company revealed it had won acceptances totalling just 0.04 per cent for its £14.7m offer.

Shares in Torday closed 5p up at 109p, compared with the bid price of 92.4p.

Bank syndicate clears way for Asda's £357m rights

By John Thornhill

ASDA, the debt-laden grocery retailer, yesterday received unanimous approval from a syndicate of almost 30 banks to amend its borrowing facilities clearing the way for its much-needed £357m rights issue to go ahead.

Terms of the revised covenants were thought to be close to those estimated in the rights issue document and related to the ratio of net interest payable to income.

The negotiations concerned a £500m multi-option facility and a £260m transferable term loan facility, of which £128m became due for repayment tomorrow. Asda has already negotiated a £200m two-year committed facility with National Westminster and Swiss Bank Corporation.

The company has received proxy votes running at more than 99 per cent in favour of the rights issue.

Britannia Group moves into red

Britannia Group, the construction and development company, incurred a pre-tax deficit of £3,000 in the six months to June 30, against a profit of £1.13m last time.

A refusal to take on work at unprofitably low margins meant that turnover in the construction division fell from £13.7m to £8.97m. Sales in the property division fell from £4.3m to £79,000.

The interim is 1p (1.9p).

UK COMPANY NEWS

Famous Grouse exports help Highland rise 10%

By Philip Rawstorne

HIGHLAND Distilleries' international distribution partnership with France's Rémy Cointreau group has begun to pay dividends. Increased exports of Famous Grouse Scotch whisky lifted full year pre-tax profits by almost 10 per cent from £25.7m to £28.2m.

Despite a 3 per cent decline in total Scotch whisky exports during the year to August 31, Famous Grouse sales rose by 16 per cent in volume and 24 per cent in value.

The deal last year with Rémy, which linked Famous Grouse with Krug and Heidsieck champagnes and Rémy Martin cognac, has brought strong growth in France, now its biggest export market, Sweden, and the Netherlands.

In the US, where the brand is distributed by Grand Metropolitan's Heublein, sales doubled while the overall market fell 10 per cent.

Mr John Goodwin, Highland chairman, underlined the importance for Famous Grouse – which now accounts for half of group profits – of growth markets in Europe and urged the UK government to resist further tax discrimination against spirits in the EC.

Proposals to tax spirits at six times the rate of beer threatened whisky exports to Portugal, Spain and Greece, which increased by 44 per cent, 33 per cent and 10 per cent respectively during the past year, he said.

Highland's operating profit rose from £19.2m to £22.4m on turnover increased to £163.4m (£147.9m).

Famous Grouse maintained its sales in a UK market which fell 5 per cent under the impact of the recession and the budget duty increase, and lifted its market share to 13 per cent.

Sales of new whisky fillings to blenders were slightly down on last year, though profits were maintained. Sales of mature whisky, at similar levels to last year's, made an improved contribution.

Higher profits also came from the company's single malt whiskies, Highland Park, Bunnahabhain and Tamdhu, which increased volume sales by 22 per cent.

Earnings per share grew to 15.1p (14p) and a proposed final dividend of 4.14p (3.6p) brings the total for the year to 5.52p (4.8p).

Highland's net debt stands at £18m, 12.5 per cent of shareholders' assets.

See Lex

Ashley Ashwood

John Goodwin: urging no further EC tax discrimination

European Leisure down to £5.2m

By David Churchill, Leisure Industries Correspondent

EUROPEAN LEISURE, the disco, snooker and entertainments group, yesterday reported a fall in pre-tax profits to £5.23m for the year to June 30 1991, compared with £6.66m last time.

The decline came in spite of a sharp increase in turnover from £33.8m to £84.8m as a result of last year's acquisition of Midsummer Leisure.

The results were better than expected, given the troubled trading conditions for leisure companies over the past year as a result of the recession and the internal problems faced by the group recently.

In July Mr Michael Ward, European Leisure's founder and former chairman and chief executive, resigned after the share price collapsed amid criticism from former executives in the company.

European's figures yesterday revealed that an exceptional payment of £882,000 had been made in the last financial year, part of which covered compensation for Mr Ward following his resignation.

The company yesterday declined to reveal the exact level of Mr Ward's compensation.

He has been replaced by Mr Ian Rock, formerly head of operations, and now group managing director.

Mr Geoffrey Nichols, previously deputy chairman, has been appointed as non-executive chairman.

Mr Rock said yesterday that he remained cautious about the outcome for the current year until there were more definite signs of a recovery.

In spite of the problems, trading profit was £13.1m (£8.82m). The lower outcome at the taxable stage reflected sharply increased interest payments, up from £2.46m to £6.96m.

At the year end, group net assets were £76.2m. The company recently reached a new agreement with a syndicate of banks to reschedule its debts, incurred through the takeover of Midsummer, until April 1993.

The recommended final dividend is reduced to 0.2p (1.2p), making a total for the year of 0.7p (1.7p).

Land sales restrict decline at Tay Homes

By Clare Pearson

A NUMBER of land sales in the second half meant pre-tax profits at Tay Homes, the Leeds-based housebuilder, fell by just 3 per cent, from £8.51m to £8.26m, in the 12 months to June 30.

The outcome showed a marked recovery from the interim stage when profits declined by 29 per cent.

Mr Trevor Spencer, chairman, said land sales had provided £2.3m of profits with nearly all of that gain achieved during the final six months.

The sales were of some 300 plots at two large sites in Scotland where planning consent for 1,750 plots on 165 acres has been obtained.

Mr Spencer said these sales marked "the start of a valuable profit stream" which he expected to continue over the next three to four years.

The company plans to dispose of a further 1,000 plots at the Scottish sites.

Gearing at the year-end was 66 per cent. Interest charges increased to £3.37m (£2.33m). Operating profits were £11.6m (£10.8m).

The group substantially increased its investment in part-exchange houses during the period as a means of coping with what Mr Spencer described as the worst housing market conditions seen for decades.

Funds tied up in part exchange amounted to £5.2m at the year-end against £2.1m a year previously.

Turnover rose by 5 per cent to £70.6m (£67.4m). Units sold amounted to 849, against 943 last time, but the average selling price rose to £74,300 (£71,500).

As in previous years, the north of England and Scotland companies accounted for 85 per cent of turnover.

Mr Spencer said sales in the north west, principally from grant-aided urban renewal schemes, rose substantially while the Midlands also improved. Scotland was, however, unable to maintain 1990's significant turnover increase.

Earnings per share were 25.1p (26p). The recommended final dividend goes up to 4.1p, giving a 10 per cent increase to 5.3p (4.8p) for the year.

Assets per share rose to 127.9p (110.9p).

Trying to kick the tobacco habit

The T&S chief tells John Thornhill of his plans to refocus the group

MR Kevin Threlfall is a 42-year-old Wolverhampton entrepreneur who has turned his close observation of human nature into a business proposition.

The cheery chairman of T&S Stores, who runs a chain of 570 discount tobacconists and convenience stores, has developed a distinctive low-cost style of trading over the past 15 years that cleverly panders to the customers' impulses.

Shoppers are enticed into its Supercigs stores by day-glo starbursts offering low-price cigarettes and are then tempted to dip into the colourful confectionery gondolas or into buying high-priced treats such as chocolate bars and Christmas cards while queuing at the counter.

The margins on cigarettes are thin; those on the additional items are high. By paring costs to the minimum it is possible to make an attractive return on this format as T&S's results amply testify.

Over the past five years, the CTN (confectionery, tobacco and newsagents) company has lifted its pre-tax profits from £1.8m in 1986 to £12.1m and interim figures last month showed a 13.5 per cent rise.

Analysts seem confident that although the rate of growth may slow there is still great potential as the company consolidates its acquisition of the Dillons and Preedy newsagents chains and expands its convenience store concept.

T&S certainly believes as much and, in spite of the recession, the company is opening stores at the rate of one a week. To the City's slight concern, talk of a big acquisition next year also fills the air.

Yet Threlfall cuts an unlikely figure as chairman of a company with a market capitalisation of almost £140m.

A barrow boy by background, Threlfall received his initiation in business by working on his parents' pitch in Wolverhampton.

"I was working in the markets from the age of 12. It got into my blood. The business was the family and the family was the business and you thought of nothing else. It was our life. I loved those market days," he says.

But what really fired Threlfall's entrepreneurial ambitions was being sent to public school where the other boys avoided him because his parents worked "in the markets" – his father had vowed to have his children privately-educated after he lost out to a public shoolboy when competing for promotion at the consumer products company where he then worked.

"Most businessmen have a chip on their shoulder and want to go out and make it happen. My chip was that I came from a council house background and was thrust into a public school environment. I wanted to prove that I was as good as them," he says.

On leaving school, Threlfall quickly set about doing just that. He set up a business selling pet-foods in bulk but sold out and founded the Lo Cost discount food chain in 1972. This was later bought for £1.5m by Oriel Foods – now owned by Argyll Group.

T&S Stores emerged from the Wolverhampton market stalls and quickly expanded into retail outlets. Threlfall says: "The secret of the game is all about site selection. The formula is important but the site selection is crucial." He still swears that the best method is to stand outside a site and count the passers-by.

The company came to the Unlisted Securities Market in 1984 graduating to the main market three years later. But the City only started to take note of T&S after it picked off the Dillons and Preedy chains from the fading Next empire for £53.9m in 1989.

In spite of the company's rapid growth, Threlfall maintains intimate contact with what is happening on the ground. As he tours around his stores he readily extols their virtues. "This gondola takes £700 a week, that's £350 profit," he says gleefully.

But other details of the company's stores leave him less happy and he complains that the music is too loud and the air-conditioning is not working properly.

This attention to detail is particularly apparent in the financial field. T&S's shops on average turn over only £12,000 a week and profits come from squeezing out every last penny. Central overhead costs are analysed particularly rigorously and Threlfall does not spare himself. "I too am a cost," he says.

"Of the 570 stores only 11 did not contribute to profits last year," he says.

The main challenge now is how to transform the company from a business dependent on the trading talent of one individual into a systems-driven operation that can cope with its increasing complexities.

But industry observers are impressed by the progress so far. Central distribution now covers 420 of the company's 570 stores, thereby improving efficiencies and enhancing buying power, and computer systems are being upgraded to massage margins still further.

Yet T&S is trying to lessen its addiction to its traditional low-margin cigarette market which has been hit by stiff competition and increasing taxes. Although Threlfall estimates that T&S accounts for 2 per cent of the 95bn cigarettes sold in the UK each year, he says the main growth will have to come from its developing convenience store operations.

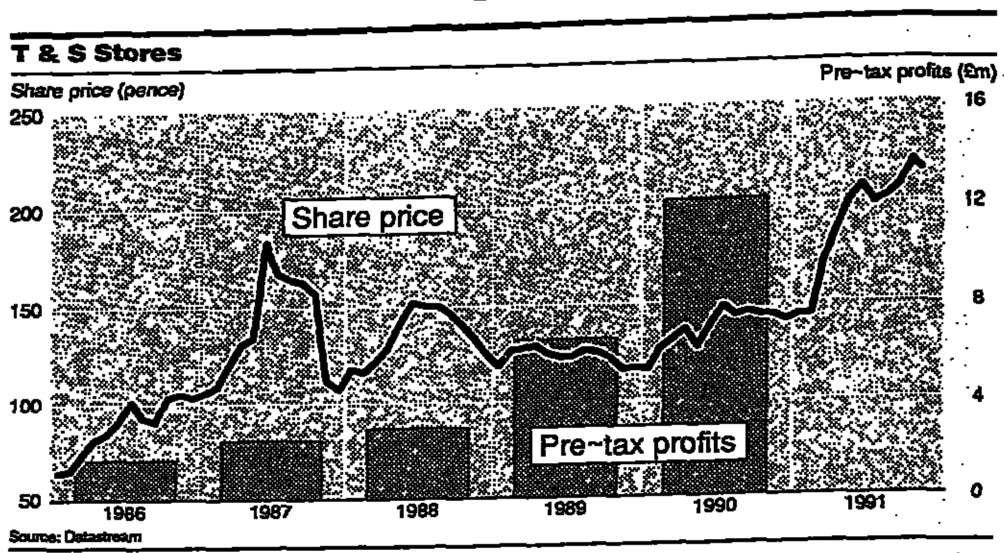
Since its acquisition of 22 stores from Johnson News Group for £4.25m in February T&S now runs 75 convenience stores.

These stores trade from larger outlets than most of T&S's shops offering an extended range of 2,500 grocery items and frozen food lines. Analysts estimate that the Dillons stores have a gross margin of about 23 per cent – higher than the core Supercigs chain.

In spite of the large outlays on acquisitions and capital investments, the company is highly cash generative and had £6.8m net cash at the beginning of the year.

But whether Threlfall can successfully transpose the company's skills into the more complex convenience store format remains a matter of doubt, in the City at least. "Some institutional shareholders are a little bit sceptical about whether they can make serious money out of the convenience store market – after all no-one else has," says one analyst.

But, typically, Threlfall argues that others have simply gone about it the wrong way. "We have expanded from a CTN store moving upwards – a completely different concept from a supermarket shrinking down."



NEWS DIGEST

Raglan Property cuts loss

RAGLAN PROPERTY Trust, the development and investment company, yesterday reported a loss before tax of £4m for the year to March 31. This represents a marked improvement on last year's result, when the company incurred a loss of £13.4m.

Net assets per share stood at 1.1p against 3.2p last year and losses per share were reduced from 7.6p to 2p.

The result was struck on reduced turnover of £7.06m (£12.5m).

Property write-offs were reduced to £4.26m (£11.5m) and administrative expenses were cut from £270,000 to £69,000. The interest charge, however, more than doubled at £315,000 (£150,000).

Roskel

With trading conditions in the six months to June 30 "as difficult as those experienced in the second half of 1990", taxable profits at Roskel fell from £1.37m to £548,000.

Turnover was maintained at £20.2m (£20.4m).

Operating profits declined to £878,000 (£1.73m), but interest payable fell to £330,000 (£405,000).

Earnings were more than halved at 2.37p (6.01p) per share, but the interim dividend is held at 1.3p.

Doeflex

A "substantial improvement" in the second quarter, particularly in the PVC division, helped limit the fall in interim operating profits to 7 per cent at Doeflex, a manufacturer and supplier of thermoplastic materials.

However, a rise in interest payable from £189,000 to £271,000 resulted in a 19 per cent fall in pre-tax profits to £580,000 (£717,000) in the six months to end-June. Operating profits were £851,000 (£906,000).

Turnover slipped to £9.23m (£9.62m). Earnings were down 1p to 4.57p per share and the interim dividend is an unchanged 1.32p.

S Lyles

A sharp reduction in interest charges helped S Lyles, the carpet yarn spinner and dyer, overcome reduced sales volume and prices.

On turnover of £17.1m (£21.3m), profits for the year to end-June showed a marginal rise from £802,000 to £813,000 pre-tax after interest payable declined to £80,000 (£279,000).

Earnings per share rose to 7.42p (7.15p). A proposed final dividend of 2.95p makes 4.45p (4.05p) for the year.

Helene

Mr Monty Burkeman, chairman of Helene, the women's and children's clothing group, yesterday sounded a bright note on current trading.

Although the company reported sharply reduced taxable profits for the six months to end-June, Mr Burkeman said that, with improved trading and gain in market share, profits for the second half would be "well ahead of last year."

Despite reduced consumer spending generally, mid-term sales were slightly ahead to £33.2m (£32.6m). Efforts to maintain market share, however, led to gross margins being squeezed and profits fell to £706,000 (£1.92m).

The interim dividend is maintained at 0.65p, payable from earnings of 0.56p (1.96p).

Palma

A reduced deficit of £180,000 was reported by Palma Group, the textile company, for the six months to July 28.

The outcome, which came on turnover, including discontinued businesses, of £12.9m (£15.5m), compared with losses of £909,000 for the previous seven-month period. It was struck after lower interest charges of £423,000 (£644,000).

Losses per share worked through at 0.95p (2.75p).

Expedier/Wembley

Expedier and Wembley have formed a joint ticket marketing venture to handle up to 4m tickets a year. The venture will combine Wembley's Box Office and Keith Prowse ticket retailing services with Expedier's First Call business.

The new venture was announced as USM-quoted Expedier revealed that higher interest charges and lower sales had pushed it into losses and forced it to cancel last year's final dividend. Directors are also passing this year's interim.

From a pre-tax profit of £584,000 for the six months to June 30, the company incurred a £1.42m loss, with interest charges up from £280,000 to £557,000. Losses per share were 3.2p (earnings 1.8p).

UK COMPANY NEWS

Stick over the letter of the lord

Roland Rudd on institutional worries about the running of Hanson

INSTITUTIONAL investors said yesterday Hanson must change its own managerial style and take account of criticisms over its corporate governance instead of simply blaming its public relations advisers for not getting its message across.

The big shareholders were responding to the leaked letter from Lord Hanson to Sir Tim Bell, in which Hanson's chairman rebuked his PR adviser for the poor press his company had received since it took a 2.8 per cent stake in Imperial Chemical Industries last May.

Institutional shareholders said they would be pressing Hanson to address the questions raised by ICI concerning the conglomerate's managerial style and the quality of its profits.

In particular, they are now questioning whether Hanson's assets would not be worth more if the conglomerate was broken up. "Lord Hanson has got to do more to prove to us that he is doing all he can to get the best out of the businesses he runs," said one investor.

While Lord Hanson's letter to Sir Tim, accusing his PR adviser of failing to get Hanson's "great story" across, did not surprise investors, it has caused them great concern.

This is because the gist of the letter, sent on August 26, was that Hanson just needed to get its message over to institutions and all would be well.

The irony of the situation is that Lord Hanson's financial advisers agree with the institutions that the conglomerate has failed to outline its strategy clearly enough over the past five months.

Lord Hanson has ignored repeated advice over a whole series of issues, say his advisers, which include three external PR advisers, Lowe Bell Communications, Warwick Corporate, Dewe Rogerson, and three financial advisers, NM Rothschild, Lazard Brothers and Cazenove.

Lord Hanson: has ignored repeated advice from advisers

Against their recommendation, Lord Hanson scrapped his weekly strategy meetings with his public relations advisers and senior directors; he refused to attack ICI's environmental record; and he did not appoint heavyweight non-executive directors to his board.

Hanson advisers say they are seriously concerned that the conglomerate is underselling itself and are not surprised that that concern has reached the institutional shareholders.

One of Hanson's biggest investors said it would "seriously consider selling its stake in Hanson", unless Lord Hanson explained its strategy for growth. Another investor warned that it was already considering "pulling out of Hanson", unless there were significant changes in the running of the conglomerate.

The biggest shareholders include Prudential Portfolio managers, Norwich Union Life Insurance Society, Standard Life Assurance, Robert Fleming Investment Management, Barclays De Zoete Wedd Investment Management, Postel Investment Management, Legal & General Investment Management and Scottish Widows Fund Management.

Hanson said it was constrained by the Takeover Panel from talking to the institutions until its agreed bid for Beazer was completed.

Nonetheless, fund managers want Hanson to consider a series of changes which include:

● A series of meetings with big shareholders to explain Hanson's strategy.

Institutional investors want to know whether more could be realised for Hanson's assets if the conglomerate was broken up. They want to know how the group can continue to grow if it remains a conglomerate and does not mount an aggressive takeover.

● The appointment of a tough manager – in the role of a US chief operating officer or a UK chief executive – would ally fears that the conglomerate is run as a two-man show – by Lords Hanson and White.

It would also go some way to persuade big shareholders that Lord White would never again spend the company's money on bloodstock. In his letter to Sir Tim, Lord Hanson asked him whether he should not be addressing this issue "day, night and holidays too?".

Institutional shareholders believe it could best be addressed by the appointment of "a tough manager from outside the organisation". As another shareholder said: "Lord Hanson cannot persuade us that he is able to squeeze every penny out of his businesses if his partner [Lord White] spends £7m on horses."

● More independent non-executive directors would help smooth shareholders' fears that the conglomerate is being run too much like a private company. Hanson recently announced three new non-executive directors.

Yet many of Hanson's big shareholders had never heard of one of the three, Mr Jonathan Scott-Barrett, senior executive of Centaur Communications, a small publishing firm established in 1982. Mixed feelings were expressed about the other two, Mr Simon Keswick, a director of Jardine Matheson Holdings, and Mr David Hardy, chairman of London Docklands Development Corporation.

Hanson's own advisers admitted that the original announcement could have been better handled, but are sceptical about whether Lord Hanson would be willing to appoint more non-executive directors.

Kalamazoo surges to £3.66m despite tough trading climate

By Paul Cheeseright, Midlands Correspondent

KALAMAZOO, the Birmingham-based business systems and specialist print manufacturer, yesterday announced a near-tripling of profits and a doubled dividend.

The group, 51 per cent-owned by Kalamazoo Trust which represents equity interests of employees, is now in the final phases of a restructuring set off following a lapse into losses in 1989.

Pre-tax profits for the year to July 31 were £3.66m against £1.07m last time and losses of £4.07m in 1988-89. Earnings per share were 7p (2.2p). A proposed final dividend of 1.5p brings the total for the year to 2p (1p).

Whether the profits increase can be maintained in the short term is open to doubt.

Mr Peter Harrop, chairman since the beginning of the current financial year, noted that "trading conditions have become increasingly more difficult as the effects of the recession have impacted on the businesses."

However, during 1991-92 there should be profit contributions from acquisitions made towards the end of the last financial year and from investment in automation.

Overall turnover slipped from £61.6m to £60.8m. Computer activities raised turnover by £5.5m to £39.9m and pre-tax profits by £400,000 to £3.8m.

But the business systems side saw turnover slip to £20.9m (£23.3m) and profits to £1.8m (£2.1m).

This division is now seeking to change its position in the market by a concentration on larger domestic customers and expansion into export markets.

Interest payments fell from £3.42m to £1.88m. Gearing currently stands at 11 per cent.

Shaken Prestwick recovering

By James Buxton, Scottish Correspondent

PRESTWICK HOLDINGS, the Ayr-based printed circuit board manufacturer, yesterday highlighted a trading profit of £961,000 in the second half of the year to July 31 against a first half trading loss of £415,000 as evidence of recovery after a management shake-up and restructuring a year ago.

However, full-year pre-tax profits fell to £109,000 (£1.2m), struck after an exceptional charge of £373,000 for restructuring and redundancy.

Losses per share were 0.5p (earnings of 2.8p) and a final dividend of 1p makes an unchanged total of 1.5p.

The group, which came to the market in 1985, has performed poorly ever since. Last September the company appointed Mr Wayne Osman as chief executive. He replaced Mr Bill Miller, acting chief executive and a founder of the company, who became chairman.

Mr Osman cut staff by 80 to 410 and introduced management changes aimed at reducing costs and improving product quality.

Net borrowings of £541,000 at the end of July 1990 were transformed into net cash of £324,000 by the year end.

Against a background of recession in the electronics industry, the group's order book is now 20 per cent ahead of last year.

It recently made an agreement worth more than £10m to sell printed circuit boards to International Business Machines' plant at Greenock and became a preferred IBM supplier.

It also became an approved supplier of Ford Motor in Europe, providing boards to Ford's electronics plant in Spain.

However, the group warned that trading was not "immune from the sales price pressures arising from the continuing recession." Costs of increasing production would be borne mainly in the first half of the year and the majority of the year's profits will be earned in the second six months.

BP sells more Tex/Con assets in $400m deal

By Juliet Sychrava

British Petroleum yesterday announced the sale of the exploration and production interests of Tex/Con, its Houston-based subsidiary, to PG&E Resources of Dallas, Texas for approximately $400m (£233m).

The sale, which will probably be completed in November, follows the disposal last month of Tex/Con's gas transmission and marketing business to Transok, a unit of Central and Southwestern, for £250m.

BP said yesterday that proceeds from the full sale of Tex/Con's assets were expected to total $800m, as announced earlier this year.

● Great Lakes Chemical Corporation said it has agreed in principle to purchase Shell UK's 36.7 per cent stake in Octel Associates and Associated Octel for $138m.

Once the purchase is completed, Great Lakes will own 87.8 per cent of Octel, with Chevron owning a 10.7 per cent stake and British Petroleum, Texaco and Mobil each retaining 0.5 per cent ownership interests.

Whyte & Mackay buys more Invergordon

Whyte & Mackay, the UK drinks subsidiary of American Brands, the US tobacco group, which is bidding for Invergordon Distillers, said yesterday that it had acquired a further 8.39m shares in the Scotch whisky group to bring its total holding to 18.7 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Britannia ....int	1	Dec 5	1.9	-	3
Doeflex ....int	1.32	Nov 21	1.32	-	4.02
European Leisure ....fin	0.2	-	1.2	0.7	1.7
Expedier § ....int	nil	-	0.5	nil	0.5♥
Helene ....int	0.65	Dec 31	0.65	-	2.01
Highland Dist ....fin	4.14†	Jan 9	3.6	5.52	4.8
Kalamazoo ....fin	1.5	Dec 12	1	2	1
Lucas Inds ....fin	4.9☆	Jan 17	4.9	7	7
Lyles (S) ....fin	2.95	Jan 2	2.55	4.45	4.05
Multitrust ....fin	2	Dec 13	-	2	-
Prestwick ....fin	1	Dec 16	1	1.5	1.5
Roskel ....int	1.3	Nov 29	1.3	-	4.3
Stanhope Props ....fin	nil	-	0.1	nil	0.1
Tay Homes ....fin	4.1	Nov 26	3.6	5.3	4.8

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ☆Carries scrip option. ♥Proposed final of 0.5p cancelled.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Brown (N), Elswick, Farnell Electronics, London Atlantic Inv Tst, Polymark International, Quadrant, Silentnight.

Finals- Paterson Zochonis, St Ives.

FUTURE DATES

Interims-

Baris	Oct. 16
British Airways	Nov. 12
British Telecom	Nov. 7
Charter Consolidated	Dec. 10
Clayton Son	Oct. 25
Conrad Continental	Oct. 25
Contra-Cyclical Inv	Oct. 16
Gerrard & National	Oct. 16
Govett Oriental Inv	Oct. 17
Halls Homes & Gardens	Oct. 18
Heath (CE)	Nov. 14
Meyer International	Nov. 12
Mezzanine Cap & Inc Tst	Oct. 18
Norweb	Nov. 26
ScottishPower	Dec. 11
Securities Tst Scotland	Oct. 24
Smith (James) Estates	Oct. 17

Finals-

Cradley	Oct. 17
Govett Strategic Inv Tst	Oct. 24
Kwik Save	Nov. 27
MY Holdings	Oct. 17
Pressac	Oct. 22
Wolseley	Oct. 22

Codelco chief threatens to quit over 'interference'

By Leslie Crawford in Santiago

MR Alejandro Noemi, president of Codelco, the world's biggest copper company, is threatening to resign unless the Chilean government gives him a freer hand in the running of the state-owned corporation.

Mr Noemi will meet President Patricio Aylwin today in a final attempt to solve deep-seated differences with the mining ministry. "The quarrel is over who should be running the show, Mr Noemi or (mining minister Mr Juan) Hamilton", said one source close to the conflict.

The departure of Mr Noemi would be a setback for the government, and the dispute is bound to rekindle debate over how Chile's largest company should be run.

Mr Noemi, who comes from the private mining sector, was appointed by President Aylwin in March 1990. However, his attempts to instill enterprise culture into the state-owned giant have been blocked – either by the 19,000-strong Copper Workers' Union or by nervous politicians at the mining ministry.

The Codelco chief has long made it clear that he believes the company needs a radical shake-up if it is to retain its competitive edge.

Although Codelco is hugely profitable – it posted pre-tax profits of $1.54bn last year on sales of $3.34bn – costs are rising as a result of falling ore grades and overmanning at its ageing mines.

However, a plan to cut 3,000 of Codelco's 26,000 jobs was vetoed by Mr Noemi's superiors at the mining ministry.

As Chile's biggest company, Codelco provides the treasury with one quarter of its income. While Codelco executives acknowledge that fact, they resent meddling in the day-to-day management of the company.

Mr Noemi has also crossed swords with Chile's former military rulers by openly disagreeing with a law that requires Codelco to hand over 10 per cent of gross sales – equivalent to $334m in 1990 – to the armed forces. The country's new civilian masters have found it politically prudent not to amend this piece of legislation.

The yearly battles with the finance ministry over the size of Codelco's investment budget, and the slow progress through parliament of a law that would allow Codelco to sell surplus mining property, are also sources of frustration.

Mr Noemi's biggest success at Codelco has been the imposition of a tough "no wage increases" policy during bitter negotiations for new two-year contracts earlier this year, despite strikes at the Chuquicamata and El Teniente mines which halted production during July and August.

The unions finally agreed to productivity bonuses instead of across-the-board wage increases.

EC cereal proposals go against the grain

A new FAO report warns that world food security depends on higher production

FARMER'S VIEWPOINT

By David Richardson

THE CEREAL harvest on our farm this year was probably the second biggest we have ever gathered. I say "probably" because we have no weighbridge, and it is impossible to be sure exactly how much is in the barn until it has been delivered to merchants who do have such facilities. My estimate is therefore based on a volumetric calculation, which in past years has proved fairly reliable.

For the record, the best yields we ever recorded were in 1984, the year which produced the UK's largest harvest of more than 25m tonnes. This year, the Ministry of Agriculture's first estimate indicates a total of 22.7m tonnes, suggesting that yields have not been universally as high as they were seven years ago.

Nevertheless, crops across most of the EC have produced above-average yields. Earlier this month, the Commission announced that the Community's total cereal yield was expected to be 178m tonnes, or 8.5m tonnes more than last year.

Against a Maximum Guaranteed Quantity of 160m tonnes (at which point the punitive co-responsibility levy becomes chargeable) this appears disastrously large, but it does include the contribution of the former East Germany, which probably accounts for about half the excess and is not included in the levy calculation.

Leaks from the Commission forecast that this enormous crop will mean stocks in EC intervention stores next June could total 30m tonnes, compared with 18m-20m tonnes in June of this year. Doubtless, such leaks are intended to increase the pressure on the Community's agriculture ministers to agree to reform the Common Agricultural Policy. Meanwhile, in spite of all this grain overhanging the market, the trade for spot and forward sales over recent weeks has been lively, with prices well above most farmers' expectations.

The fact is, of course, that the cereal market is subject to influences from far beyond the boundaries of the EC. At present, speculation surrounds the situation in the former Soviet Union; whether the promised aid from the west will materialise and how much of it will be in the form of or spent on grain.

The evidence suggests that food in general, and grain in particular, is what is most needed by the Soviets, who have long been the world's biggest cereal importers. The harvest across the republics was a disaster this year, yielding less than 190m tonnes, compared with 235m tonnes last year, and against an annual requirement of 280m tonnes. There is therefore no doubt about the Soviet demand for grain. All that is missing is the ability to pay.

Clearly, the traders who have been bidding for my grain believe the west will correct that deficiency.

Perhaps they have also been studying the trends of world supply and demand. For, although the popular view persists that the western world is wallowing in a sea of cereal surpluses, the facts are somewhat different.

Just as the axis of world purchasing of grain revolves around the Soviet Union, the key to world production is the United States.

On September 12, the US Department of Agriculture announced that US wheat stocks at the end of 1991-92 were projected at 553m bushels, 20m below the estimate made the previous month, and the second smallest since 1974-75. Meanwhile, corn (maize) carry-over stocks at 1102 bushels were forecast to be down to the smallest since 1983-84.

Last week, the USDA updated the figures. Global supplies and use estimates were little changed on the month, it said. But in the light of the continuing corn harvest, it suggested that yields had proved better than anticipated in some areas and that carry-over stocks would now be 1202m bushels, up 100m on the previous month, but still well below the 1521m bushels of the year before. The USDA apparently saw no danger in this drawdown of stocks. In any event, it did not admit as much in its report.

This complacency was not shared, however, by the US grain trade. For instance, the major trader, ConAgra, based in Omaha, Nebraska, stated in response to the official estimates that "the risk seems to be that the USDA is underestimating the demand and thus that corn stocks could end up lower."

ConAgra said that world coarse grain stocks would also fall to critically tight levels by the end of 1991-92. The stocks-to-use ratio is expected to be as low by the end of this crop year as it has been in the past 18 years.

Without being cynical, it is unlikely that a trader would have made such predictions, which will obviously have a bullish effect on the prices it has to pay farmers, unless it was pretty sure of its case. The Rome-based Food and Agriculture Organisation shares ConAgra's concern.

In a report issued last Sunday, the FAO says: "With most of the world's cereal crops already harvested or shortly to be harvested, it is becoming increasingly clear that global output of cereals in 1991 will fall short of consumption requirements in 1991-92, pointing to a sharp drawdown from stocks, mainly in the developed countries.

"Even assuming no growth in global cereal utilisation this year, world cereal carry-over stocks at the end of the 1991-92 crop seasons are anticipated to fall to the lower end of the range that the FAO Secretariat considers necessary to safeguard world food security."

Elsewhere in its report, the FAO shows that, whereas world stocks of cereals, as a percentage of consumption, were at 26 per cent in 1986, they fell to 17 per cent by 1990. The figure rose to 19 per cent earlier this year, as a result of last year's bumper harvest, only to fall back to a prospective 17 per cent for the year ahead.

Bear in mind we are talking about the developed, not the undeveloped, world. Sub-Saharan Africa is, of course, much worse off, and facing its fourth successive year of forcibly reduced consumption.

While conceding that there is a local surplus of cereals here in western Europe, where the temperate climate favours consistent yields, might there not be a case, in view of the continuing shortage of grain elsewhere in the world, for looking again at the perennial preoccupation in the EC with reducing production?

The MacSharry plan for reforming the CAP, for instance, advocates the compulsory setting-aside of 15 per cent of all cereal land in the Community. But the FAO warns that world food security in 1992-93 will depend crucially on achieving a level of cereal production in 1992 substantially higher than this year.

Who do we believe? In the US, despite the apparently relaxed attitude to declining stocks, the Administration, according to the FAO, has taken steps to expand the area planted to both wheat and coarse grains with the aim of increasing supplies.

With world carry-over stocks bumping along at the bottom of food security levels, would the EC really be wise to do the opposite?

Tin producers hope China will join supply rationalisation pact

THE WORLD'S major tin producers meet in Australia today to begin talks which are likely to lead to an extension of a pact aimed at curbing exports and helping to trim stockpiles, reports Reuters from Kuala Lumpur.

The meeting may also see China, the world's second largest producer after Brazil, join the seven-member Association of Tin Producing Countries (ATPC), said Mr Redzwan Sumun, the association's executive secretary.

The executive committee is due to meet in Canberra until Friday to decide whether to renew its supply rationalisation scheme (SRS), which expires on December 31.

"It will decide whether to recommend a sixth SRS, 1992," Mr Redzwan said. "It will also discuss what kind of parameters will be used to guide the scheme."

Ministers from the association, which groups Australia, Bolivia, Indonesia, Malaysia, Nigeria, Thailand and Zaire, were expected to approve these recommendations, he said.

"China is very interested in joining and has made new enquiries", the executive secretary added. "But its membership may require different parameters and we will discuss these issues further."

Mr Redzwan did not say whether Brazil would also join. Both Brazil and China have previously declined membership of the association but have agreed to co-operate in curbing exports.

ATPC members have accused Brazil of flooding the market through exports of illegally-mined tin.

Mr Ginanjar Kartasasmita, Indonesia's mines and energy minister, left for China on Sunday for a six-day visit aimed at persuading Beijing to join the association.

"It is important for tin producers to join the ATPC, because it will be difficult to improve prices if some are outside the group", Mr Ginanjar said.

Between them, Brazil, China and the association members account for more than 80 per cent of world tin output. China, an emerging producer, exported 15,884 tonnes in 1990, up from 10,000 in 1989.

The ATPC has pegged total 1991 exports by its members at 95,849 tonnes in a continuing bid to trim stocks to below 20,000 tonnes. But Mr Redzwan said world stocks remained high at about 45,200 tonnes at the end of June 1991, though down from 49,000 at the end of 1990. That is equivalent to four months of world consumption.

Stocks were depleted by 1,433 tonnes a month in the first quarter of 1991 and the association has said it hopes to achieve the 20,000-tonne target by the end of 1993, based on that depletion rate.

Mr Redzwan said tin prices had bottomed out and should begin to recover. "We expect prices to average over M$15.50 a kg (US$5,640 a tonne) in the next few months based on fundamental factors", he added. Local tin prices are hovering at M$14.81 a kg, down from M$16.30 a year ago.

Rubber support price revision 'unlikely'

THE INTERNATIONAL Natural Rubber Organisation council, which meets next week in Kuala Lumpur, is unlikely to revise the price levels at which price support operations are triggered, officials and delegates said yesterday, reports Reuters.

"The reference and indicative prices will be up for review", one producer delegate said. "But there won't be any revision, either way."

INRO committee officials met yesterday ahead of the three-day council session which begins on October 21.

The organisation groups 25 consumer and producer nations. The reference price, fixed at 207.2 Malaysia/Singapore cents a kg, is the base on which calculations are made to determine if the buffer stock manager should buy or sell stockpile rubber.

Report sees uncertainty in sugar

By Richard Mooney

WORLD SUGAR prices have only been prevented from falling over the past month by the prospect of credit guarantees facilitating purchases by the former Soviet Union, according to E.D. & F. Man, the London trade house.

In the latest issue of its Sugar Situation report, Man says that "for the time being the preoccupation over the potential flow of world market sugars to the USS [Union of Sovereign States] has maintained the speculative interest in the market.

"In the longer term the overall depressing fundamental balance for both raw and white sugar may only be tempered by seasonal influences and the increasing dilemma posed by the declining availability of readily tenderable sugars."

Man says the past month has seen little change in its projection of the balance between supply and demand in the 1991-92 sugar year. It expects a surplus of just over 2m tonnes, compared with 3.9m tonnes in 1990-91.

"The disintegration of the Soviet Union has added to the uncertainty surrounding the changing pattern of consumption in eastern Europe", the report says.

"Over the coming months, with the break-up of the pricing structure and as the remnants of the old distribution system are dismantled, it will be hard to predict offtake."

A further uncertainty concerns arrangements covering the supply of Cuban sugar to the Soviets.

The report notes that Cuba has over the past five years failed to supply the annual 4.2m tonnes of sugar reported to be called for under this protocol.

Man suggests that the amount negotiated for this year "appears to have been closer to 3.5m tonnes".

It adds that "the future of the Cuban sugar protocol is under examination both in Havana and Moscow, whilst the west eagerly awaits the outcome".

The possibility of more Cuban raw sugar being available on the world free market, together with expectations of an improvement in overall supplies later this year "should depress raw sugar prices", Man says.

"In the 1990-91 season, the tightness of the Far East raw sugar balance, compounded by delayed shipment of raws from Cuba, provided support for world market values.

"In the 1992-92 season, the expectation of a fall in [Soviet] Cuban raw sugar imports should release more Cuban raws for the Far East.

"Following the October/December tightness, the Far East supply and demand situation should be better balanced. The white premium should then benefit both from the prospect of weak raw sugar prices and an expected rise in Soviet white sugar imports."

Survey points to increase in Opec crude oil output

CRUDE OIL production by members of the Organisation of Petroleum Exporting Countries rose by 250,000 barrels a day in September to reach 23.72m b/d, according to the Middle East Economic Survey, reports Reuters from Nicosia. The oil industry newsletter put August Opec output at 23.47m b/d.

It said the increase was mainly due to rising production in Saudi Arabia, Kuwait, the Neutral Zone and the United Arab Emirates.

Saudi Arabia's crude output rose to 8.5m b/d from 8.4m b/d in August, it said, while Kuwait's rose to 220,000 b/d from 160,000 b/d and the UAE's to 2.33m b/d from 2.3m b/d.

Output from the Neutral Zone, shared between Saudi Arabia and Kuwait, rose to 200,000 b/d from 150,000 b/d in August.

Iraqi output increased to 400,000 b/d from 300,000 in August while Iranian production was unchanged at 3.2m b/d. But Nigerian, Venezuelan and Indonesian output fell by a total of 120,000 b/d in September.

The newsletter said that Abu Dhabi, the biggest producer in the UAE, had notified its oil producing ventures of an increase in the fourth quarter to about 2.05m b/d from 1.9m b/d.

A Reuter survey issued on Friday put Opec production at 23.66m b/d, unchanged from an earlier September survey.

● Demand for oil from the 24 Organisation for Economic Co-operation and Development countries is estimated to have been 36.8m b/d during the third quarter of this year, down 3.5 per cent from the unusually high level in the corresponding period of 1990, says the International Energy Agency's Oil Market Report. It puts total world demand in the same period at 64.5m b/d, a 1.5 per cent fall from a year earlier.

WORLD COMMODITIES PRICES

MARKET REPORT

EARLY ENTHUSIASM faded at the London gold market yesterday in the face of subdued Columbus Day holiday trading in the US. The price was underpinned in early trading by Soviet economist Grigory Yavlinsky's reiteration at the Bangkok IMF meeting of his previous comments that the Soviet Union's gold reserves stand at only 240 tonnes. Reports from senior monetary officials in Bangkok that Western central banks were considering gold swaps with the Soviet Union through the auspices of the Bank for International Settlements were also viewed as bullish for gold. But the London price rise ran out of steam at $361 a troy ounce and by the close it was back to $359.05 an ounce, up $1 from Friday. That allowed gold's discount against the platinum price to widen further. The white metal gained $5.20 to $370.35 an ounce, its highest level since early July, in response to Friday's sharp late rally in New York. Traders said that rally had been based on chart-inspired activity. At the London Metal Exchange the lead price slide continued. The cash position ended £4 down on the day at £298.50 a tonne, only £6 above the 1991 low, after early falls failed to attract and significant forward trade buying support.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$18.45-8.50z	+.325
Brent Blend (dated)	$22.60-2.60	+.475
Brent Blend (Nov)	$21.95-2.05	+.425
W.T.I. (1 pm est)	$23.15-3.20z	+0.35
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$231-233	
Gas Oil	$224-225	+6.5
Heavy Fuel Oil	$81-84	+5
Naphtha	$220-224	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)✣	$359.05	+1.0
Silver (per troy oz)✣	409.5c	+1.5
Platinum (per troy oz)	$370.35	+5.20
Palladium (per troy oz)	$87.4	+0.65
Copper (US Producer)	111.5c	+0.5
Lead (US Producer)	38c	
Tin (Kuala Lumpur market)	14.84r	+0.03
Tin (New York)	257.0c	-2.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	104.01p	-0.79*
Sheep (dead weight)†	109.75p	-1.04*
Pigs (live weight)†	73.08p	-2.09*
London daily sugar (raw)	$229.5j	-3.4
London daily sugar (white)	$263.0j	-2.0
Tate and Lyle export price	£242.0	-2.5
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£140.5	
Wheat (US Dark Northern)	£101	
Rubber (Nov)♥	54.00p	+0.5
Rubber (Dec)♥	54.00p	
Rubber (KL RSS No 1 Nov)	229.5m	
Coconut oil (Philippines)§	$550y	
Palm Oil (Malaysian)§	$342.5y	
Copra (Philippines)§	$355j	
Soyabeans (US)	£150	-2
Cotton "A" index	68.25c	-0.10
Wooltops (64s Super)	335p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Jan t-Sep/Dec u-Oct x-Sep/Oct y-Nov/Dec z-Dec j-Oct/Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ✣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Dec	-	183.00	181.00	
Mar	187.60	185.60	187.80	184.00
May	186.60	184.60	186.40	184.00
Aug	191.60	189.60	188.00	
Oct	191.40	189.60	188.00	
White	**Close**	**Previous**	**High/Low**	
Dec	279.9	278.0	279.5	277.5
Mar	278.5	276.8	278.5	276.0
May	277.9	275.5	276.9	276.0
Aug	278.0	276.3	277.0	
Oct	258.0	257.0	257.0	256.2
Dec	257.0		255.2	

Turnover: Raw 197 (1156) lots of 50 tonnes. White 578 (1039). Paris- White (FFr per tonne): Dec 1621, Mar 1628

CRUDE OIL – IPE ($/barrel)

	Close	Previous	High/Low	
Nov	22.42	22.04	22.46	22.05
Dec	22.07	21.75	22.08	21.80
Jan	21.73	21.43	21.75	21.51
Feb	21.44	21.12	21.45	21.25
Mar	21.03	20.85	21.05	
Apr	20.78	20.31	20.86	20.55
IPE Index	21.86	21.87		

Turnover 21397 (19649)

GAS OIL – IPE ($/tonne)

	Close	Previous	High/Low	
Nov	220.00	215.50	221.00	216.25
Dec	219.50	215.25	220.00	215.00
Jan	216.50	213.25	217.00	214.00
Feb	209.25	206.00	210.00	208.00
Mar	201.00	198.50	202.00	200.00
Apr	193.00	188.75	193.00	
May	187.00		187.00	186.25

Turnover 13970 (7924) lots of 100 tonnes

TEA

There were 20,641 packages for the day, reports the Tea Brokers Association. Best and good medium Assams were again well supported and selected lines sold substantially above valuation. Plainer sorts, however, continued weak. Bright liquoring east Africans were generally firm while mediums met improved competition and sometimes gained 2-3p apart from the plainest which tended easier. Ceylons closed several pence higher. Offshore met fair demand with firm to dearer prices. The highest price realised was 225p for an Assam. Quotations: quality 220p (200p), medium 115p (116p), low medium 72p (73p).

COCOA – London FOX (£/tonne)

	Close	Previous	High/Low	
Dec	773	788	783	771
Mar	812	824	822	811
May	833	846	844	832
Jul	857	867	864	856
Sep	880	888	885	877
Dec	903	913	909	902
Mar	927	938	929	

Turnover:2391 (2142) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct. 11 987.74 (982.39) 10 day average for Oct. 14 974.18 (970.02)

COFFEE – London FOX (£/tonne)

	Close	Previous	High/Low	
Nov	525	514	525	514
Jan	550	537	550	535
Mar	558	555	558	552

Turnover:2510 (4540) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct. 11: Comp. daily 62.69 (62.17) 15 day average 63.06 (63.34)

POTATOES – London FOX (£/tonne)

	Close	Previous	High/Low	
Apr	129.4	131.5	130.0	128.5

Turnover 122 (184) lots of 20 tonnes.

SOYABEAL – London FOX (£/tonne)

	Close	Previous	High/Low	
Dec	132.00	132.00	133.00	132.00
Feb	136.50		136.50	

Turnover 162 (315) lots of 20 tonnes.

FREIGHT – London FOX ($10/index point)

	Close	Previous	High/Low
Jan	1744	1745	1735
Jul	1494	1510	1483
BFI	1606	1593	

Turnover 20 (373)

GRAINS – London FOX (£/tonne)

Wheat	Close	Previous	High/Low	
Nov	118.65	118.75	119.00	118.65
Jan	122.35	122.40	122.70	122.45
Mar	125.30	125.40	125.30	
May	128.15	128.25	128.25	128.05
Barley	**Close**	**Previous**	**High/Low**	
Nov	114.10	114.20	114.20	
Jan	118.05	118.15	118.20	

Turnover: Wheat 169 (319), Barley 20 (140). Turnover lots of 100 tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low	
Oct	95.5	96.0	95.0	
Nov	98.0	98.0	98.0	
Jan	95.0	96.0	95.0	
Feb	98.5		99.0	98.1

Turnover:13 (22) lots of 3,250 kg

[illegible] – London FOX

	Close	Prev.	High	Low	Vol
Indx	132.00	131.95			
Nov	132.50	132.70	132.50		26
Dec	133.50		133.50		[illegible]
Mar	133.00		132.60		[illegible]
Sep	134.60		134.60		[illegible]

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 47,451 lots
Cash	1115-7	1114-5	1124/1122	1121.5-2.5		
3 months	1144-6	1141-2	1155/1137	1150-0.5	1137-8	121,064 lots
Copper, Grade A (£ per tonne)						Total daily turnover 33,237 lots
Cash	1358-9	1363-4	1368/1360	1367.5-8.5		
3 months	1350-1	1353-4	1358/1350	1357-8	1349-50	110,336 lots
Lead (£ per tonne)						Total daily turnover 3,610 lots
Cash	298-9	302-3	300/299	298.5-9		
3 months	310-5-0.75	312-2.5	312/311	311-1.5	310.5-1	12,789 lots
Nickel ($ per tonne)						Total daily turnover 2,445 lots
Cash	7470-80	7495-505		7490-500		
3 months	7530-5	7545-50	7600/7535	7530-40	7540-50	16,539 lots
Tin ($ per tonne)						Total daily turnover 935 lots
Cash	5515-20	5545-50	5540/5530	5540-5		
3 months	5595-600	5615-8	5610/5575	5610-5	5575-80	5,527 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 9,848 lots
Cash	983-4	991-2	985/984	985.5-6		
3 months	1004-5	1009-10	1009/993	1007-7.5	984-5	27,791 lots

LME Closing £/$ rate: SPOT: 1.7165 3 months: 1.6959 6 months: 1.6776 9 months: 1.6610

LONDON BULLION MARKET (Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	358.80-359.30	
Opening	360.40-360.80	
Morning fix	360.30	209.270
Afternoon fix	357.75	208.673
Day's high	360.80-361.20	
Day's low	358.40-358.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	4.81	6 months	4.65
2 months	4.77	12 months	4.59
3 months	4.71		

Silver fix	p/fine oz	US cts equiv
Spot	238.15	409.85
3 months	244.20	415.20
6 months	250.15	420.70
12 months	252.10	432.35

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	358.50-359.50	208.75-209.25
Maple leaf	369.50-370.50	215.00-215.50
New Sovereign	87.50-88.50	51.00-51.50

TRADED OPTIONS

Coffee	[illegible]	[illegible]	[illegible]	[illegible]
500	25	57	[illegible]	7
550	[illegible]	25	25	25
600	[illegible]	0	75	58
Cocoa	Dec	Mar	Dec	Mar
750	42	89	20	27
775	[illegible]	74	32	37
800	20	61	48	49
Brent Crude	Dec	Jan	Dec	Jan
2100	[illegible]	[illegible]	[illegible]	[illegible]
2150	24	74	22	65
2200	63	53	51	[illegible]

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Oct	358.7	359.9	359.5	359.5
Nov	359.7	360.8	360.0	360.0
Dec	361.3	362.4	363.3	360.6
Feb	364.0	365.1	365.0	363.8
Apr	366.7	367.8	367.7	366.6
Jun	369.3	3370.5	370.0	370.0
Aug	372.2	373.4	0	0
Oct	374.9	376.2	375.5	375.5
Dec	377.9	379.2	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	371.7	375.9	0	0
Jan	374.2	378.4	376.0	373.5
Apr	377.8	382.1	378.7	378.0
Jul	381.4	385.9	383.0	381.0
Oct	388.2	393.2	390.0	388.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Oct	406.6	411.5	0	0
Nov	407.8	412.8	0	0
Dec	409.7	414.7	412.5	407.0
Jan	411.7	416.7	0	0
Mar	416.2	421.2	418.0	414.0
May	420.5	425.7	420.5	418.0
Jul	424.6	429.9	427.0	423.5
Sep	428.9	434.2	0	0
Dec	435.4	440.9	436.5	436.0
Jan	437.9	443.5	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	105.90	107.20	106.80	105.65
Nov	105.10	105.85	105.30	105.00
Dec	104.20	105.55	105.25	103.65
Jan	103.15	104.45	103.30	103.00
Feb	102.50	103.70	0	0
Mar	101.90	103.00	102.80	101.55
Apr	101.45	102.55	101.70	101.70
May	100.90	102.00	101.20	100.60
Jun	100.55	101.65	100.80	100.80
Jul	100.15	101.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	8.57	8.48	8.61	8.49
May	8.50	8.40	8.53	8.42
Jul	8.48	8.41	8.50	8.42
Oct	8.45	8.37	8.48	8.41
Mar	8.35	8.27	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Nov	23.46	23.09	23.48	23.22
Dec	23.25	22.94	23.27	23.07
Jan	23.01	22.73	23.04	22.85
Feb	22.75	22.50	22.73	22.61
Mar	22.48	22.25	22.48	22.36
Apr	22.21	22.00	22.16	22.09
May	21.99	21.80	21.95	21.88
Jun	21.82	21.64	21.76	21.73
Jul	21.67	21.50	21.61	21.58
Aug	21.54	21.39	21.48	21.46

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Nov	6908	6754	6920	6790
Dec	6994	6849	7000	6885
Jan	6998	6870	7000	6900
Feb	6800	6711	6800	6730
Mar	6470	6406	6465	6435
Apr	6180	6126	6170	6140
May	5995	5951	5985	5970
Jun	5875	5831	5880	5845
Jul	5820	5781	5820	5800
Aug	5870	5831	5845	5845

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Dec	1219	1265	1262	1216
Mar	1280	1320	1310	1275
May	1310	1352	1330	1307
Jul	1337	1380	1342	1342
Sep	1364	1403	0	0
Dec	1400	1442	1415	1415
Mar	1433	1475	0	0
May	1458	1500	0	0
Jul	1483	1525	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Dec	81.56	81.50	82.00	81.25
Mar	85.55	85.55	86.90	85.20
May	88.10	88.10	88.15	87.85
Jul	90.75	90.60	90.60	90.25
Sep	93.15	93.15	0	0
Dec	97.00	97.00	0	0
Mar	99.50	99.40	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Dec	63.49	67.20	64.35	63.30
Mar	65.55	67.88	66.36	66.35
May	66.37	68.35	67.16	66.25
Jul	67.07	65.85	67.51	66.90
Oct	65.82	67.03	66.00	65.75

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	157.85	161.60	158.40	156.15
Jan	139.60	131.60	0	0
Mar	137.70	132.70	137.70	137.70
May	137.95	132.95	0	0
Jul	137.95	132.95	0	0
Sep	137.95	132.95	0	0
Nov	137.95	132.95	0	0
Jan	137.95	132.95	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Oct 14	Oct 11	mnth ago	yr ago
1820.6	1826.3	1843.9	1725.8

DOW JONES (Base: Dec. 31 1974 = 100)	Oct 11	Oct 10	mnth ago	yr ago
Spot	114.16	113.67	117.26	127.44
Futures	123.51	123.12	122.02	128.76

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Nov	546/0	545/4	549/4	544/2
Jan	559/0	558/0	560/4	555/2
Mar	570/0	568/6	571/4	566/0
May	580/2	578/4	581/4	575/0
Jul	588/0	584/0	589/0	583/0
Aug	589/4	584/0	590/4	584/0
Sep	581/2	575/0	584/0	579/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Oct	19.32	19.23	19.34	19.15
Dec	19.56	19.44	19.62	19.41
Jan	19.75	19.66	19.78	19.60
Mar	20.09	19.98	20.12	19.94
May	20.35	20.21	20.42	20.27
Jul	20.65	20.52	20.70	20.55
Aug	20.77	20.63	20.85	20.70
Sep	20.97	20.75	21.00	20.85

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Oct	180.3	179.4	180.5	178.3
Dec	178.1	177.2	178.5	178.3
Jan	177.3	176.1	177.7	175.8
Mar	176.2	174.7	176.3	174.5
May	174.8	173.4	176.0	173.0
Jul	174.1	172.9	175.0	172.7
Aug	173.8	173.0	175.0	173.5
Sep	173.5	173.0	175.0	173.5

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	246/2	249/0	249/4	247/2
Mar	257/4	259/4	258/6	256/6
May	263/4	265/4	265/2	263/0
Jul	266/2	268/0	269/0	267/0
Sep	260/0	259/0	260/4	259/0
Dec	256/6	256/2	257/2	255/2

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	343/6	347/0	349/6	342/0
Mar	346/6	349/6	351/4	344/4
May	338/4	341/2	343/4	336/2
Jul	325/2	324/6	329/4	324/4
Sep	331/0	330/6	333/0	331/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	73.17	73.17	73.25	72.95
Dec	76.65	76.85	76.85	76.52
Feb	75.65	75.57	75.75	75.46
Apr	75.87	75.80	76.00	75.65
Jun	72.72	72.70	72.80	72.55
Aug	70.62	70.60	70.82	70.60

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	44.70	43.20	45.30	44.65
Dec	43.65	43.62	43.97	43.60
Feb	43.15	43.25	43.35	43.05
Apr	41.45	41.62	41.72	41.40
Jun	46.45	46.60	46.77	46.40
Jul	46.55	46.80	[illegible]	[illegible]
Aug	45.00	45.10	[illegible]	[illegible]

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	43.36	43.80	44.15	43.15
Mar	43.05	43.65	43.75	43.00
May	43.70	44.07	44.45	43.60
Jul	43.05	44.15	44.40	43.05
Aug	42.10	41.90	42.40	41.85

FINANCIAL TIMES SURVEY

LOCATING IN NORTH AMERICA

Tuesday October 15 1991

The attractions of North America will become even greater if the existing free trade agreement is enlarged to include Mexico, thus creating a market of 365m consumers. But, Martin Dickson warns, danger lurks for those who rush in on a wing and a prayer

Slowdown in the gold rush

IT IS a little like the aftermath of a gold rush. The extraordinary surge of direct foreign investment into North America during the 1980s has slowed considerably over the past two years, although the number of companies locating in the region remains substantial and the growth could accelerate as the decade progresses.

For North America remains an extremely attractive – indeed essential – market for any company with global ambitions. And its attractions will grow even greater if the existing free trade agreement between the US and Canada is enlarged to include Mexico.

That plan, strongly endorsed by the Bush administration, would create a market of 365m consumers – the largest in the world – and sustain the boom of the last decade in North American regional trade.

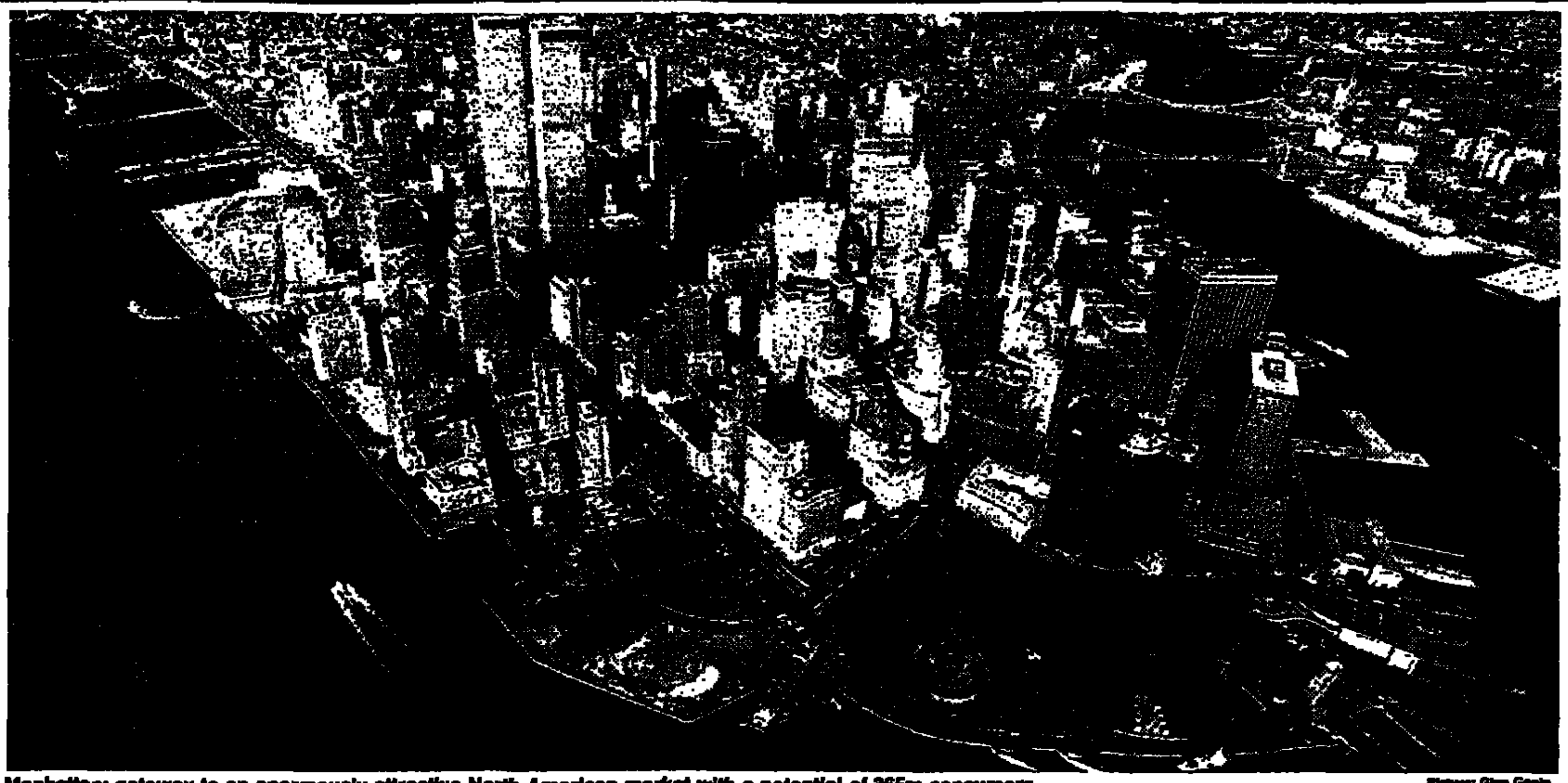
Yet, while North America offers outstanding opportunities, it also holds open the possibility of companies making big, possibly fatal errors, if they fail to carry out their homework and pounce on poor takeover targets or poorly execute construction of, and production from, a greenfield site.

Recent corporate history is littered with the legacies of companies which got America wrong, ranging from the British Imperial Group's notorious acquisition of the Howard Johnson hotel chain at a wildly generous price to Volkswagen's retreat from manufacturing in the US. Nor have Japanese companies been immune from problems – in spite of the outstanding success of most of their "transplant" North American automobile manufacturers.

Bridgestone of Japan bought serious problems when it acquired Ohio's Firestone for \$2.6bn in a bidding battle with Italy's Pirelli and a question mark hangs over the wisdom of Sony's investment in Columbia Pictures.

These were some of the more dramatic deals of the 1980s, when European and Japanese investors poured into the US as never before. Reasons for the build-up included companies' increasing concentration on developing global markets, a weak dollar in the second half of the decade, and the sheer availability of funds – both equity and debt.

Direct foreign investment in the US rose from a total of \$83bn in 1980 to \$403.7bn last year, according to commerce department statistics. However, growth has been slowing over the past couple of years. The 1990 total was \$37.2bn, compared to a peak of \$70.6bn in 1989.



Manhattan: gateway to an enormously attractive North American market with a potential of 365m consumers

Picture: Glyn Genin

The deceleration appears to have continued in the first half of this year. Mssrs Edward Graham and Paul Krugman, authors of a study* of foreign investment by the Washington-based Institute for International Economics, argue that it is "too early to extrapolate from these numbers", but they do suggest a need for caution in assuming that the rapid growth in foreign ownership of recent years will continue indefinitely.

Several factors lie behind the slowdown. First, European companies are focusing more attention on matters at home: the European Community's 1992 initiative and the coming of market forces to the former Soviet empire.

Second, companies are finding it harder to raise capital than in the 1980s. Third, the US economy has been in recession and its eventual recovery is not expected to be particularly vigorous – at least in the near term.

Fourth, US attitudes towards foreign investment are not as open as they once were. This is a reflection of the decline in the competitiveness and a concomitant loss of self-confidence. The sweeping success of Japanese manufacturers in a succession of industries, notably consumer electronics and automobiles, has provoked particular sensitivity – and inconsistency – towards investment by Japanese companies.

Greenfield investment by foreign companies is generally welcomed, but takeovers of existing companies – particularly hostile bids – have led to claims that foreigners are taking over Americans' birthright.

The Exon-Florio amendment to the 1988 Trade Act set up, for the first time in US history, a mechanism to screen some of the foreign direct investment on national security grounds and a bill is before Congress which would broaden its definition of security to include "economic security". However, the Bush administration remains firmly in favour of foreign investment.

A recent commerce department study gave the lie to some of the anti-foreign hysteria by pointing out that the role of foreign-owned firms in the US economy – be it measured by domestic sales, assets or employment – remained the lowest among industrialised countries, except for Japan.

It added that without foreign capital inflows in the 1980s gross investment in US and GNP growth would have been somewhat lower, while foreigners also appear to have enhanced research and development and improved productivity. The Graham/Krugman study found that most concerns about foreign firms' behaviour were not borne out by experience so far, although it appeared there was a higher propensity on the part of foreign companies to import more of their inputs per worker.

By far the greatest amount of foreign investment during the past decade, at least in dollar terms, took the form of takeover bids. Say Graham and Krugman: "One should think of Matsushita's purchase of MCA, not Honda's opening of its Marysville, Ohio, plant as the charactertistic way in which foreign direct investment has grown in the US during the 1980s."

That said, when it comes to the number, rather than value of new foreign investments in the US, the majority tend to set up greenfield operations. A recent study by KPMG Peat Marwick of foreign investment in 16 US states found that about three-quarters of European and Japanese companies had begun through start-ups, with only 25 per cent of European ones using acquisitions and 4 per cent joint ventures.

There are also large differences of emphasis between nations: UK companies are far more likely to have set up operations through acquisitions (40 per cent), compared to 22 per cent for France, 15 per cent for Japan and 13 per cent for Germany.

Britain remains the largest source of investment, with a total of \$108bn in 1990, compared to \$83.4bn for Japan, \$64.3bn for the Netherlands and \$27.7bn for Canada, according to the commerce department. But the Japanese have been the biggest single investing nation for the past two years, with \$16bn of investment in each.

In spite of a long history of investment, which indicates time and again that companies need to enter the US market only after careful planning, the evidence suggests that too many groups still rush in on a wing and a prayer.

Take, for example, the key question of precisely where to locate a greenfield operation in the US. Mr Robert Ady, president of PHH Fantus, a leading US location advisory group, says selection of a site is a high stakes business which can lose a company huge amounts of money, yet many groups – around 70 per cent – take the decision almost blindly: "They go where they have an existing facility, where a business acquaintainance has a facility, and so on."

A host of factors ought to come into this equation, and each company will have differing needs. But the over-riding consideration, which needs to be established clearly in advance, is the prime strategic objective the group is trying to achieve.

With that established, there follows a trade-off between factors ranging from the incentive packages offered by different states, regional growth rates, location of suppliers and markets, quality of infrastructure, communications links, labour costs and the education of the workforce.

Evidence that many companies skimp on these studies comes from the KPMG Peat Marwick survey which found that 66 per cent of European investors considered only one state when deciding where to locate. That may save time and money in the short run, but over the long term could prove very expensive.

* Foreign Direct Investment in the United States, Edward Graham and Paul Krugman. Revised Edition October 1991. Institute for International Economics. Washington DC.

IN THIS SURVEY

LOCATING IN NORTH AMERICA 2

Martin Dickson discusses regional disparities in the US

Host of distinctive qualities

A MARTIAN landing today in Houston, Texas, would be hard pressed to realise that the US has been in the throes of recession for the past year. Office blocks which five years ago stood empty, attesting to a sharp regional depression, are slowly filling, and the city has been enjoying the fastest job growth of any US metropolitan area.

Yet, up in Boston, New England, which at the time of the Texas collapse was enjoying a "Massachusetts miracle" of fast growth, there is now a mood of deep gloom as the city goes through a severe economic retrenchment.

The US is not so much one economy as a collection of regional economies, each with distinctive characters, strengths and weaknesses, and the foreign investor needs to be well aware of them before deciding where to locate.

Moreover, even within regions, different states have sharply different profiles. They also have differing attitudes to foreign investment. They all welcome greenfield investment, but some have incentives aimed at attracting large companies while others gear their packages more to small ones. And some states have laws which allow them to put hurdles in the way of unwelcome bids for local companies.

Any generalisations about regional characteristics are dangerous, but there has been over the past 20 years or more a gradual drift of manufacturing and service industries from northern states to southern ones, because of cheaper labour costs, a less unionised workforce and lower property values. None of this would have been possible without the air conditioner, which since the Second World War has made living in the "Sunbelt" states – that stretch across the South – far less enervating.

The South – and especially the south-western desert part of it – is expected to enjoy the strongest growth rates through to the end of the century. A commerce department report last year reckoned that Nevada and Arizona would have the fastest growth rates in personal income, jobs and population of any states, albeit from a fairly low base. One of every six jobs created is likely to be in California, the biggest economy in the union, while Florida, Utah and Hawaii are also expected to grow rapidly.

California is expected to add 3.4m jobs between 1988 and 2000 and Florida and Texas more than 1m each. Four states – California, New York, Texas and Florida – will account for one third of national personal income by 2000, with California continuing to have the highest total personal income and Connecticut the highest on a per capita basis. European companies tend to concentrate their locations on the East Coast of the US and Japanese on the West, which makes sense given the reduced travel distances to the home country and more favourable time differences that these choices mean.

Proximity to markets, to suppliers or to pools of expertise also powerfully governs location. For example, Southeastern states such as Georgia and the Carolinas have attracted substantial forest products investment from Scandinavia and textile industry investment from Germany and Switzerland. Texas is the key centre for the oil industry and Washington DC attracts companies with the need to be near the US government – telecommunications, for example.

How then, do the various US regions compare in economic strengths – bearing in mind that a depressed area may actually offer substantial advantages for the investor if its property prices are low and there is a ready pool of qualified labour?

Some states have laws which allow them to put hurdles in the way of unwelcome bids for local companies

New England, which stretches from Maine to Connecticut, is deeply depressed, due to over-rapid growth in the 1980s and upheaval in three of its most prominent industries – defence, computers and financial services. It remains unclear just what engine of growth will pull it out, but its tradition of Yankee ingenuity, highly educated workforce and Boston's reputation for medical and general education should eventually prove good stimuli.

A similar, though not so severe, recession hangs over the mid-Atlantic states running from New York down to Washington DC. New York city has been particularly badly hit by shake-outs on Wall Street, banking mergers and downturns in the advertising and media industries. All this has exacerbated the financial crisis facing a city which has watched a slow exodus of corporate headquarters over the past 20 years to its surrounding suburbs and, increasingly, much further afield.

Yet New York still has incomparable advantages for some service industries. It remains the only US world-class city, ranking in sophistication alongside Paris, London and Tokyo.

A classic example of the relocation tendencies in the country is provided by United Parcel Service, which moved from New York to Greenwich, Connecticut, and is now on the move again – heading for Atlanta, Georgia, citing cheaper costs as the reason, including more reasonable housing for employees.

Atlanta – host of the 1996 Olympic Games – is the fastest growing business centre and transport hub of the Southeast, an area which was for decades an agricultural backwater. Parts of the Southeast remain among the poorest areas, but some states are booming, thanks to relatively low operating costs and an attractive workforce. Tennessee and Kentucky have become large motor vehicle manufacturing centres, while Florida is a magnet for businesses with ties to Latin America and has also been attracting clerical jobs from the North.

The Midwest, with Chicago as its hub, has been weathering the recession far better than most areas because of its diverse economy and strong manufacturing base, which makes it far less susceptible to boom-bust cycles. Minnesota and Wisconsin, with strong educational systems, have been attracting considerable location attention.

Given the Midwest's excellent location as a distribution centre, the area will continue to be a magnet for foreign investment – a fact underlined by the recent decision of NFC, the British freight group, to relocate its home services division to Chicago from London.

In the Southwest, Texas is recovering from the severe recession of the mid-1980s – caused by a slump in oil and agriculture – on the back of a much more broadly based economy, with a particularly strong high-technology sector. Energy now accounts for only 10 per cent of the economy, compared to double that a decade ago.

However, mighty California is suffering growing pains. It has very high labour and property costs, growing environmental restrictions and severe traffic congestion in large population centres. It will remain important as a centre of high-technology, agriculture and international trade, but it is little surprise that opportunistic states – and even individual cities – have set up relocation offices in the Golden State.

California's loss is the gain of surrounding regions: the Pacific Northwest, already a boom area thanks to the presence of aircraft maker Boeing and thriving computer companies and industry, has been weathering this recession far better than past ones. Seattle, in Washington state, replaced Atlanta last year in a survey of chief executives as the best business location in the US. The survey, by property firm Cushman & Wakefield, gave Seattle high marks for quality of life and a place of improving business conditions.

The high-tech desert states of the Southwest – Arizona, New Mexico, Nevada and Utah – have also benefited from California's problems, although they could find growth harder in the 1990s if their water resources, which have made the deserts bloom, become constrained.

Bernard Simon examines the pros and cons of locating in Canada

Rewards may outweigh the risks

FEW foreign companies set up in Canada these days without at the same time studying the potential of trade, and perhaps also investment, in the US.

The business community is increasingly viewing the two economies as a single entity for production and marketing purposes. Indeed, a company buying or building a factory in Ontario or Quebec is as likely – if not more so – to find a market in neighbouring New York state as it is in faraway Alberta or British Columbia.

The cross-border links are being tightened by the US-Canada free trade agreement, which came into force in January 1989. Tariffs on hundreds of products have already been eliminated and those that remain will all have disappeared by 1998.

The gradual creation of an integrated North American market raises the question why any business would want to locate along its northern rim in Canada, rather than closer to the main US centres of population, where even the winter weather is more pleasant.

In fact, a growing number of foreign companies are not only hanging out their nameplates in Canada, but also directing their entire North American operations from north of the 49th parallel. Britain's Hillsdown Holdings, British Gas and North West Water, Metallgesellschaft of Germany, Korea's Sammi Steel and several Japanese car makers and property developers are among the overseas investors which have either bought or built in Canada in recent years.

Mr David Atkins, managing partner for international services at Coopers & Lybrand's office in Toronto, says: "There's a lot of locker-room talk about how dreadful Canada is compared to the southern states of the US." But Mr Atkins notes that Canada still has much to offer, especially to relatively sophisticated operations for which a non-unionised, blue-collar workforce and low wages are not the main considerations.

Canadian workers may be better paid than their southern US counterparts, but they are also, in general, better educated and more literate.

Generous, government-run health-care schemes and other social services hold down the cost of corporate benefits. The recession has hit prices and rentals for all kinds of property, especially in southern Ontario's "Golden Horseshoe" around Toronto. Canada's financial services industry is less troubled than its counterpart in the US, and is thus a more reliable source of funds. The leading banks and trust companies have extensive domestic and international networks.

In spite of icy winters and humid summers, Canada also offers a lifestyle which many transplanted executives prefer to living in the US. The crime rate is much lower and the pace of business and social activity a little less frenetic. "For a European executive, it is generally much nicer to be in Canada than in the States," says UK-born Mr Atkins.

French and other continental Europeans are likely to feel particularly at home in Francophone Quebec. The Quebec provincial government is also among the most generous in providing financial support to business. Although Montreal is not quite as accessible as Toronto, careful targeting of selected industries has made it the country's aerospace and pharmaceutical centre.

Vancouver has the attraction of close trading links with the Far East, and a huge influx of highly skilled and motivated Asian immigrants.

At the other end of the country, Atlantic Canada's biggest city, Halifax, is promoting itself as a pleasant spot for software designers, small components manufacturers and others who need a well-educated, disciplined workforce, and for whom transport is a relatively minor cost.

Canadian provinces and municipalities compete fiercely with each other and against their US counterparts for new investment. Their incentives include low-interest loans, loan guarantees, tax holidays and financial support for job training and research and development. Details are available from each province's ministry of trade and industry (the precise name differs slightly from one to the other). One common thread, however, is that there are few hard and fast rules: the generosity of incentives depends on the attractiveness and viability of the investment.

Doing business in Canada does have definite drawbacks, however. The productivity growth of workers has been among the most sluggish of any industrial workers over the past decade. Corporate and personal taxes are substantially higher in Canada than in the US.

Inter-provincial trade barriers and divergent regulations in each of the 10 provinces can be a real headache for a company wanting to do business across the country. Many managers view strict anti-pollution and pay-equity (equal pay for work of equal value) rules as a tiresome burden.

The debate over Quebec's future role in Canada has put a question mark over the country's famed political stability. Whether or not Quebec goes its own way, however, some facets of doing business in Canada can be predicted with reasonable certainty.

One is that the north-south pull will strengthen still further. If Quebec separates, some Canadian provinces could find themselves part of the US within the next few decades.

At the same time, momentum is growing for a gradual dismantling of the pervasive inter-provincial trade barriers. A closer economic union is a key part of Prime Minister Brian Mulroney's latest constitutional proposals, published in late September.

Canada is going through a difficult period of political and economic adjustment. But a company willing to take the risk of riding out the storm could be rewarded later this decade with a low inflation rate, meeker unions, less pervasive red tape, and a trade and investment window opening not only to the US but to Mexico and also to other parts of the western hemisphere.

Picture: Glyn Genin

Toronto: property rentals hit

LOCATING IN NORTH AMERICA 3

Martin Dickson on strategies for entering the US

How to avoid errors

IN 1977, Glaxo of Britain launched itself into the US market through the purchase of a fellow pharmaceuticals company in Florida. Fourteen years later, after relocating to North Carolina in the early 1980s, it is one of the top five US pharmaceutical companies.

In 1978, Volkswagen of Germany launched itself in the US with a manufacturing facility in Pennsylvania – the first foreign car company to establish such a presence in the US. But a decade later it closed the plant, admitted defeat and limped back to Europe.

Direct investment in the US can be either an extremely profitable expansion for a company or a costly error which leads to job losses and, in some cases, loss of independence: Imperial Group, the British conglomerate, was taken over by Hanson in the mid-1980s in part because of its ill-advised acquisition of America's Howard Johnson hotel chain.

The reasons for successes and failures are complex and extremely varied. In the case of Glaxo, it was due partly to the group's management style and even more to its introduction of a blockbuster product, Zantac. Volkswagen's defeat was due partly to the poor quality of the product emerging from its Pennsylvania plant and its failure to catch the imagination of the car-buying public.

So how can companies avoid such costly errors? Consultants cite the following factors as among the most important:

First, and most basically, a company needs to have a very clear idea of why it wants to get into the American market and what it aims to achieve. This sounds so obvious, yet the experience of the past few decades shows that many foreign businesses fail this elementary test: they see the US as a large, homogenous market, similar to their home one (and, in the case of UK companies, even speaking the same language), without appreciating the complexity of the area and the need for a unique business strategy to cope with this.

Second, they should know they have a product which will sell in the US – thanks to test marketing – or, if they are taking over an existing business, they should study the market for its products carefully. A standard investment bank's "due diligence" investigation may not be enough to throw up important trends.

Third, it may be better to approach the market cautiously, placing a toe in the water, rather than leaping in with both feet.

Fourth, companies need to be aware of regulatory measures specific to the US which could hamper operations. In particular, the US has strict environmental regulations and companies could find them-

The reasons for successes and failures are complex

selves liable for cleaning up problems created decades before. "We have seen environmental issues become deal-breakers over the past two years," says Mr Bob Snyder, director of international investor services at Ernst and Young.

Fifth, no business will succeed without the right staff and it is vital to ensure that expatriates will be happy, and that there are sufficient qualified staff available in the chosen location. "Companies must take every possible pain over selecting key people," says Mr Snyder, "including consulting local experts."

Sixth, in the case of start-ups, *companies need to put a* great deal of effort into selecting the right location. Take, for example, the case of the European automobile supplier which located in Canada, close to its largest North American customer, but was then unable to penetrate the US market successfully and had to close three years later.

Mr Robert Ady, president of *PHH Fantus, the location advisory* group, says companies need to sort out a clear list of location priorities, based on the group's overall strategy: "It is surprising how often a new facility is sited for reasons that do not fulfil the basic corporate objectives, such as proximity to another division, access to an international airport, availability of a large incentive package, or persuasiveness of an individual customer."

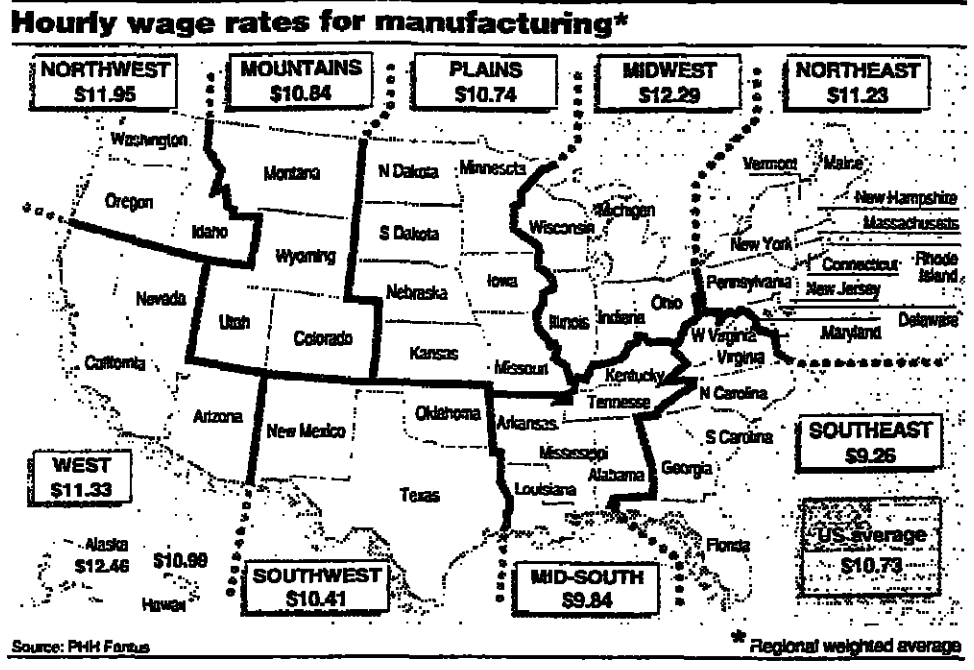
Having established a list of criteria, the company then needs to gather facts on issues that include: the character of a state's government and municipal attitudes to investment; quality of life; education; transport; utility costs; taxes; labour costs and productivity; incentives offered; support infrastructure; distribution *expenses and cultural acceptance.* Weighing up these factors against one another may be difficult, but methods for doing so have been devised.

Too often, companies consider far too few sites in their hurry to complete their investment. A recent survey by KPMG Peat Marwick found that 66 per cent of European investors considered only one US state in making their locational decisions.

Just as important as the state is the precise location within that state. Costs tend to be far higher near big cities and international airports. For example, consultants Runzheimer International say the cost of living in New York City is 126.6 on an index which puts Standard City USA at 100. But in Albany, the state capital, the cost is a mere 92.3.

Mr Ady says companies need to focus more attention on second-tier cities such as Albany, with populations of between 100,000 and 500,000, preferably with strong universities (which tend to be more accepting of foreigners), lower costs, a pleasant environment and a good infrastructure.

Hourly wage rates for manufacturing*



Source: PHH Fantus

* Regional weighted average

Cost-of-living values in selected locations - 1991

Location	Total annual costs ($)	Index
San Francisco, CA	87,449	145.7
New York, NY	75,986	126.6
Boston, MA	71,092	118.5
Chicago, IL	64,550	107.6
Atlanta, GA	63,241	105.4
STANDARD CITY, US	60,000	100.0
Cincinnati, OH	*59,809*	*99.7*
Greensboro, NC	57,760	96.3
Houston, TX	57,618	96.0
Albany, NY	55,362	92.3
San Antonio, TX	53,099	88.5

Based on a family of four with a $60,000 annual income, residing in a 2,400 sq ft home which carries a mortgage and incurring all normal home ownership and maintenance costs. The family owns two cars: a late model driven 14,000 miles a year and a four-year-old model driven 6,000 miles a year. Car expenses include fixed and operating costs, federal, state and local income taxes are paid. They also pay sales taxes and purchase goods and services typical for a family in their income bracket at their location. This family has also set aside a certain amount for investments and savings. Costing is based on representative communities surrounding the core city in which families earning $60,000 a year are most likely to reside.

Source: Runzheimer International

Labour and property markets

Figuring out options

COMPANIES considering relocating in the United States face a bewildering set of choices.

But among the main concerns about relocation are the costs of wages and space. While such considerations must be placed in an overall context of site desirability, there are at least a few indicative sets of figures that may help narrow the choices.

If, as a manufacturer, wage rates are the prime concern, the south-eastern US has the lowest average wages in the nation. According to data compiled by PHH Fantus, the leading US consulting firm on relocation, the Southeast region has a weighted average wage of $9.26 an hour, compared, for example, with the Midwest's weighted average of $12.29, America's highest.

The weighted averages for hourly wages are composed of averages for skilled, semi-skilled and unskilled labour in various regions of the US. But this broad measure of wages can be deceptive, as are all such indicative figures.

For example, the Southeast state of West Virginia where wages average $11.53 could easily be surpassed in attractiveness by, say, the Mid-south state of Tennessee, where wages are $9.55, or the Midwest state of Wisconsin at $11.11.

In addition, the real wage costs within these average state and regional rates can vary widely, given that locating in a small town or a large metropolitan city area will dictate whether a company will be on the high or low end of the wage scale.

Union activity will also weigh heavily on what level of wages can be expected. Some cities and towns are more favourable to unions, and some industries (such as vehicle makers), no matter where they are located, will be especially subject to union attention.

However, the rates shown in the accompanying map are meant only to be indicative of how wages vary by region. These correspond broadly to the cost of living for each area and reflect, too, what can be expected for clerical and executive salaries.

PHH Fantus estimates that the average annual salaries of clerical office workers range from a low of $17,600 in Denver, Colorado, to $21,000 in New York and Los Angeles. Cities such as Chicago and Cleveland have middle range average salaries of $19,300 and $19,000, respectively.

Runzheimer International, a Wisconsin-based consulting firm on living and travel costs, estimates that $60,000 a year is the standard compensation for a mid-level manager in a typical US city. The costs are based *on a family of four, with a* home mortgage, and two cars.

While wages range widely according to precise location, the accompanying table on cost of living in cities across the US is a rough guide.

Runzheimer calculates, for instance, that mid-level executive compensation can run from $53,099 a year in San Antonio, Texas, where housing costs are relatively lower, to $87,449 a year in San Francisco, California, where they are high.

According to Coldwell Banker, the residential real estate company, a typical four-bedroom home in San Francisco would be priced at about $615,000, whereas a comparable home in San Antonio would be priced at $94,000.

Coldwell Banker, based in Chicago and part of the Sears Roebuck financial network, offers an index of comparable home price information and the housing costs that can be expected in moving from one location to another in the US.

The costs of industrial space, land and office rentals can vary so widely that it is often meaningless to pick even a range of prices. The precise location determines the price, given such crucial issues as transportation infrastructure.

The variation is additionally extreme given that these costs are negotiable. But Cushman & Wakefield, the business property speciality firm, takes a stab at providing at least a guide to industrial space rental costs, land prices and downtown as well as suburban office rental rates.

During the second quarter of this year it calculated, for example, that manufacturing or warehouse rental space in Dallas, Texas, ranged from $1.75 to $3.50 a square foot, in Atlanta, *Georgia, $1.75 to $4.50,* in Chicago $1.65 to $6.95 and in Boston $2.00 to $8.00. Raw, or unimproved, land prices in the same locations were: Dallas $21,780 to $87,120 an acre; Atlanta $30,000 to $35,000; Chicago $15,000 to $140,000 and Boston $30,000 to $175,000.

Office space rentals also differ greatly depending on site, level of internal completions and other market factors, such as the rate of vacancies.

In some depressed markets, it is a renter's paradise because desperate landlords are simply trying to fill buildings with reliable tenants.

Cushman & Wakefield also offers an index of office rental prices and vacancy rates for a variety of cities across the US.

For example, in the second quarter of this year, Class A central business district space *in Los Angeles ran from $20 to* $42 a square foot, in Denver $7 to $17, in Miami $20 to $35, in Atlanta $17 to $29.50, in Chicago $14 to $48.46, in Houston $12.21 to $32.67, and in Boston $15 to $53. Suburban office space in those same cities was in general cheaper.

In Los Angeles it ranged from $15 to 35.40, in Denver $9.50 to $19.50, in Miami $11 to $30.50, in Atlanta $13 to $32, in Chicago $12.50 to $32.50, in Houston $12 to $21.16, and in Boston $9.95 to $28.

The figures offered by various property firms are intended to be guides to the differences among locations, rather than precisely what can be counted on in a deal.

Property firms such as Cushman & Wakefield offer market research services and relocation specialists such as PHH Fantus can take firms through the search, negotiation and implementation process from A to Z.

Barbara Durr

National office vacancy and rental rates

Source: Cushman and Wakefield

Tax incentives and other advantages

Calculated negotiations

COMPANIES contemplating a *relocation in the United States* may think mainly of tax incentives for their move. But these are only part of a very attractive package of potential incentives that can be negotiated to ease the costs and pain of relocating.

According to Mr Robert Ady, president of PHH Fantus Corporation, the leading US relocation specialists, companies that negotiate carefully can as a rule of thumb obtain incentives worth $10,000-$30,000 a worker, or 10-30 per cent of their total investment.

The array of incentives that can be negotiated depends in part on how well the company has conceived the move and how clear it is about its objectives.

Mr Ady advises clients to do their homework on what exactly they wish to achieve in their new location. And he reminds them there is no Utopia. "The best location is the one with the most advantages and the least disadvantages."

Once the concept is clear, the company can then focus on what its priorities are for incentives, given that there can be choices such as five years free of taxes or a free site.

PHH Fantus, which handles a couple of hundred relocations every year, has found that companies rarely understand the importance of negotiating. Foreign companies, in particular, are often "woefully ignorant about the significance of negotiations", says Mr Ady.

Simply looking at the stated business development objectives of a town, city or state does not give the whole picture.

And, because foreigners are operating out of their own element and frequently feel uncomfortable dealing with American politicians and officials, they often miss substantial cost reduction opportunities.

Incentives can be negotiated for an array of relocation costs. These include:

- Assistance in building costs, including cash grants, direct loans and interest rate subsidies through industrial revenue bonds and loan guarantees;
- Reduced site acquisition costs including land costs, which can go as low as zero in some cases, better terms of payment and responsibility for broker's fees and title insurance;
- Assistance in site improvements such as grading, additional roads or road improvements, rail links, water, sewage, and zoning changes;
- Abatements in local property taxes for land, building, inventory, materials and equipment and sales and use;
- Training, recruitment and screening of employees, including materials and curricula development, instructors' salaries, and employees' costs;
- Reduced electricity and gas rates, lower sewage and waste disposal charges;
- Improved transportation services by air or rail or, for employees, bus routes; and
- Employee relocation assistance, including finding new homes, lower mortgages costs, community orientation, store discounts, job counselling for spouses, and school placements for children.

Companies should be open to non-traditional incentives that can smooth relations with the community and labour. For example, construction of day-care centres for children could help working mothers and may well qualify for additional subsidies from the community. Even unsuccessful lobbying for legislation can qualify for a subsidy.

However, PHH Fantus recommends that companies should not be too greedy. Forcing a community to its knees can sour long-term relations. Foreign companies must be especially careful regarding community relations, Mr Ady warns.

Companies should be careful to present positively what they will bring to the community, rather than merely focusing on what they are hoping to get *from it. Beyond the number of* jobs a new company will bring, there are many other benefits that fresh investment provides.

A seductive computer programme developed by PHH Fantus can calculate the total impact of a company in an area. This includes not only the company's new jobs, but the jobs it will generate for suppliers and, indirectly, in services, and it calculates what the constellation of the company, suppliers and indirect service firms will provide in additional bank deposits, payroll, retail sales and tax revenues.

Although PHH Fantus's service is regarded as the most comprehensive given that it can bring in its sister companies, such as PHH Homequity, which helps relocate employees, other US management consulting firms such as Booz. Allen and McKinsey & Co also offer services for relocating companies.

Barbara Durr

Foreign investment controls in the US

Hospitality undermined

US POLICY towards foreign direct investment is officially hospitable. But there is a vague undercurrent of fear that some predatory, malevolent outsiders want to suck the wealth out of America and take it somewhere else to be enjoyed.

Companies wanting to launch new businesses are met with open arms and offers of land, roads, buildings and tax benefits. The welcome fades to fear and suspicion, however, when foreign investors want to acquire US firms.

The anxiety is encapsulated in more sophisticated arguments in Washington about foreign investment, particularly by the Japanese. Warnings are heard that whole industries could be lost with the foreign purchases of small American companies producing key technologies. Furthermore, it is argued, technology developed with the aid of US government money may be transferred to the products of competing countries. Or, conversely, that foreign companies made wealthy with the help of their governments – or their cartels – might chew up and spit out American acquisitions.

High-profile takeovers, such as Sony's purchase of Columbia Pictures, as well as less well-known buy-outs of high-tech companies have fanned the flames of xenophobia. It is reflected in the dozens of bills introduced in recent Congresses to study, limit, hinder or otherwise discriminate against foreign investment. Rarely do these bills become statutes.

Recent US presidents have viewed foreign investment as a job-creating mechanism. They have tended to ignore or minimally enforce even those watered-down provisions which make it into law.

The most significant recent addition to foreign investment law was the Exon-Florio amendment to the 1988 trade act. It gave the president the authority to block or suspend mergers, acquisitions or takeovers by foreign interests if they threaten national security. It established a 90-day procedure to review foreign investments in strategic industries. President Reagan and now President Bush appointed as the reviewer the interagency US Committee on Foreign Investment in the United States (CFIUS).

CFIUS has been largely inactive, to the chagrin of many in Congress who insist that Congress wanted the definition of "national security" broadened to include economic security, which could be interpreted as just about anything.

A study by the Washington-based Economic Strategy Institute last May found that CFIUS had only formally investigated 12 of the 540 investments reported. The only negative recommendation produced a divestiture order to China National Technology Import and Export Corporation in its takeover of Seattle-based MAMCO, an aerospace component manufacturer. The order, following the Tiananmen Square uprising, was viewed as a message of disapproval to the Chinese government.

For every report hostile to foreign investment there are three more in favour. The prestigious Institute for International Economics recently updated a paper which concluded that, while there was nothing "sinister" about increased foreign investment, there might be a case for greater scrutiny through the anti-trust laws and a cause for concern that Japanese companies operated from a national base more closed than others.

If a US president were hostile to foreign acquisitions, he could make far more use of Exon-Florio and other laws to discourage investment from abroad. This is unlikely so efforts are under way to strengthen the Exon-Florio to force the president to act.

One such bill would move the chairmanship of CFIUS from the treasury to the commerce department, which is seen as more protective of US companies. It would allow the imposition of performance requirements and require acquiring companies to agree to maintain production of "critical technologies" in the US.

Other bills are under consideration, including: expansion of the Foreign Agents Registration Act, to encompass more US subsidiaries of foreign companies; proposed bans on contributions by foreign nationals to US political campaigns; and a four-year ban on former highly-placed US officials lobbying for foreign interests.

Increasingly, reciprocity requirements are creeping into legislation. These are less controversial then bills which seem more blatantly discriminatory. The American Technology Preeminence Act of 1991, which provides grants for private sector development of key technologies, would accord assistance to foreign-owned companies only if parent companies are in a country which allows similar benefits to US-owned companies.

A similar reciprocity provision was included by the House in the High-Performance Computing Act of 1991, which would create an "information superhighway", linking supercomputers through the country.

The Fair Trade in Financial Services Act, being pushed by the Treasury, would deny foreign banks permission to operate in the US if their home countries discriminate against US banks.

While the debate over foreign investment has been continuing in Congress, state and local governments have been busy setting up offices overseas to lure investors to their areas. A few states, however, maintain restrictions.

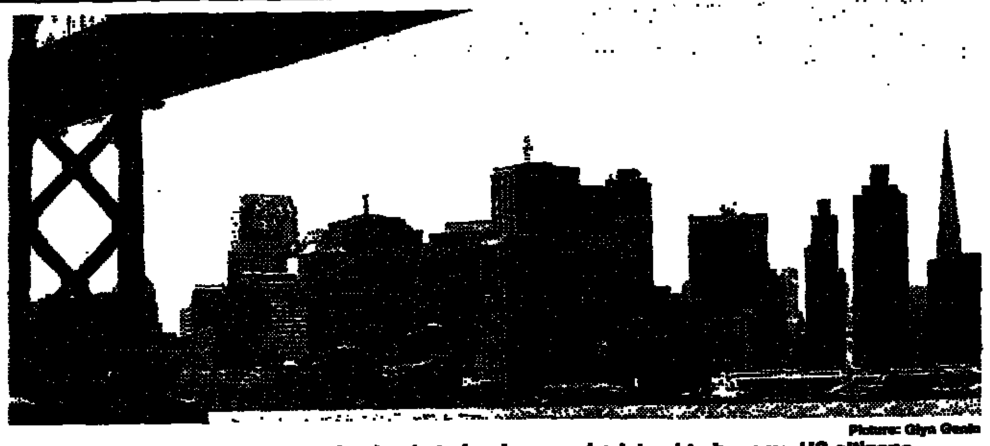
Alaska and New Hampshire bans foreign companies from exploring or mining on state-owned lands. California leases land only to foreigners who express an intention to become US citizens. Foreigners can buy only up to 320 acres in Iowa for "immediate and pending use other than farming". In Georgia, aliens can hold land as long as their governments are "at peace with the US".

States sometimes, however, create difficulties for foreign companies through their tax policies. Particularly controversial is a method of taxing multilateral corporations on the basis of their global income. Forms of worldwide unitary taxation have been imposed in California, Florida, New York, Massachusetts, Colorado and others.

Although US legislation may discourage some foreign investors, the regulatory climate often poses more of an obstacle. Mr Brad Larschan, an American foreign investment consultant, recently gave a series of seminars in the UK, where he was bombarded with questions about the "intangible barriers" of regulation.

Concerns ranged from US product and environmental liability laws to the regulations for packaging, labelling, advertising, worker health and safety.

Nancy Dunne



Picture: Glyn Genin

San Francisco: California leases land only to foreigners who intend to become US citizens

Free Trade Agreement

Horse trading has yet to start

SINCE June, North American negotiators have been zealously cruising towards completion of talks to create the world's largest free trade area.

Driven by a vision of free trade for 360m consumers "from the Yukon to Yucatan", 19 negotiating groups have been fleshing out the shape of the North American Free Trade Agreement (Nafta).

More than 70 meetings have been held on six broad areas of discussions: market access, trade rules, services, investment, dispute settlement and intellectual property rights.

The US and Canada are still squabbling over lumber trade, but the dispute has not dented the optimism surrounding the talks. Investment is flowing in to Canada and Mexico. Cross-border business between the US and Mexico is flourishing.

The US Export-Import Bank last year provided $4.5bn in export financing – much of it for capital goods to build up Mexican industry.

For the first time in a decade, the US trade balance with Mexico has turned positive. In the first six months of this year US exports were $15.5bn and imports $15bn.

Two-way trade has soared from $27.3bn in 1982 to $58.5bn last year. In fact, in the past decade, trade between the US and both its neighbours doubled from $55.3bn to $111.4bn.

Investment Canada, a government agency, predicts that the Nafta will attract foreign investment to Canada and Mexico. It foresees a shift in the location of manufacturing establishments from low-cost countries in south-east Asia to Mexico and a benefit to Canada from its point of entry to a larger thriving market. However, in the light of Mexico's relatively small economy, "the potential gains from trade creation in the short to medium term are very limited".

In a paper on the Nafta, Canada Investment warned that Canadian workers would feel threatened by the changes in the trading relationship and potential job losses. However, it said, these would strengthen Canada's productivity performance which will determine to what extent it will benefit from free trade and the process of globalisation.

The US Commerce Department is sanguine that few American jobs will flee over the US-Mexican border. Mexican wages were rising and environmental controls would be strengthened, said Ms Ann Hughes, deputy assistant secretary.

She acknowledged that recession and higher taxes had sent Canadians south of the border to shop or to run businesses, but said the shift was likely to be reversed as Canada became more competitive.

US business groups are united behind the Nafta and the belief that it will strengthen American competitiveness vis-à-vis powerful trade blocs elsewhere. Mr John Griffin, president of the American Institute for International Steel, said the Nafta negotiations will force the three nations to re-examine trade-inhibiting practices such as "buy national" requirements and unfair dumping laws used to discourage imports.

For all the gains already in North American trade and investment and the potential benefits of the Nafta, there are still widespread doubts about its impact. The Washington-based Economic Strategy Institute warned that a "bad" agreement for the US could cost up to 1m American jobs and increase the trade deficit by up to $31bn. A "good" pact could mean a $9bn reduction in the deficit.

Mrs Carla Hills, the US trade representative, insists that closer ties between the three economies is a "win, win, win" situation.

But economists such as Mr Paul Krugman of MIT warns that there are costs both for bilateralism and trilateralism in the trade distortions it produces. If the US removes a barrier to its neighbours, it is therefore removing advantages from others, who might in fact be more efficient producers.

In the US, opposition to the Nafta ranges from labour groups to environmentalists,to human rights organisers. To answer their concerns, negotiations over environmental and work rules are proceeding on a separate but parallel track with the trade talks. The Bush administration has promised to introduce a worker adjustment assistance programme along with the final Nafta agreement.

To quieten fears that Mexico will be used as a "staging area" for the assembly of Asian goods, the US may try and insist on a strong rules-of-origin provision. Congressman Jim Kolbe, an Arizona Republican who favours the Nafta, has recommended a domestic content requirement of as much as 60-75 per cent and a phase-out period for some of the more sensitive tariffs of 20 years or more.

The initial reports leaking out of the talks have been optimistic about the progress. Mrs Hills had once hoped for an agreement by the end of the year. Now a deadline is not much talked about, and it is believed the timing will hinge on what happens in the Uruguay Round.

If by the end of the year, it seems the Gatt negotiations will collapse, then the push will be on in the Nafta talks in the hope of getting a final agreement before the presidential campaign.

The real horse trading has yet to begin and texts have yet to be drafted. All sides have presented their offers on tariff levels and non-tariff barriers. A close look has found them largely mismatched, according to one US official.

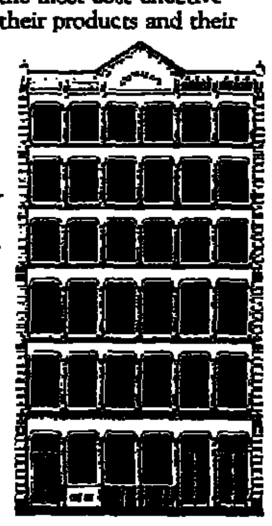
The US is pushing for a three-stage phase-out of tariffs. Nearly half of US products wil be dropped to zero duties in the short-term. But that is not much of a concession, since US tariffs for Mexico already average only 4 per cent.

Unless Congress agrees to an expedited approval process, the Nafta could come up for a vote at the height of the 1992 presidential election. Labour's clout with the Democratic Congress is particularly mighty in election years, so the administration will be under intense pressure to satisfy the unions' concerns.

Before the end of this year, the Bush Administration will have to make a big decision. Chile – and, in fact, the rest of Latin America – is waiting anxiously in the wings, having been told it is the next candidate for an FTA.

The US trade representative, whose resources will be stretched by the Nafta, the Uruguay Round and other talks, must decide whether to wait or use the opportunity granted by the two-year extension of trade negotiating authority to take another step towards hemisphere-wide free trade.

Nancy Dunne



Futures sector helps rally in equities

By Terry Byland, UK Stock Market Editor

THE new trading account in UK equities opened with a good recovery in share prices from the setback of the previous two weeks. Market strategists, however, took a cautious view of yesterday's gain of nearly 20 points on the FT-SE Index, noting that the stock market was led by the futures sector and that trading volumes were unimpressive.

Determined efforts to stem the market's nervousness regarding the £1bn of rights issues overhanging equities helped sentiment. Shares in British Aerospace closed firmer, although still below the rights issue price, after the board disclosed plans to encourage support among the institutions for its £432m rights issue.

Also helping to steady investment nerves were favourable surveys of institutional fund managers. The monthly Gallup poll conducted by Smith New Court, the international securities firm, indicated a 27 per cent balance in favour of increasing investment in UK equities, while the latest Confidence Index from Minet Consultancy Services said that pension fund managers are still generally optimistic on the outlook for share prices.

Account Dealing Dates		
*First Dealings:		
Sep 30	Oct 14	Oct 28
Option Declarations:		
Oct 10	Oct 24	Nov 7
Last Dealings:		
Oct 11	Oct 25	Nov 8
Account Day:		
Oct 21	Nov 4	Nov 18

*New-time dealings may take place from 8.30 am two business days earlier.

However, the trend of the market depended heavily on the stock index futures sector. Equities fell by nearly 17 on the Footsie scale in early trading after the December future contract on the Footsie opened somewhat uncertainly. Then, still responding to the future contract, the stock market rapidly recovered ground and gained nearly 20 points by mid-afternoon.

After showing some hesitancy in late trading, when Wall Street made a slow start to the new session and recorded a gain of under five Dow points in London time, the FT-SE Index ended the session at 2,574, a net gain on the session of 19.5.

Traders commented that the market was due for a rally as the political scene quietened down after the completion of the party conference season in the UK. Sterling was calm yesterday and, with prospects for a further cut in base rates now firmly in the background, equity strategists were able to return to fundamental investment principles.

The balance of opinion appeared to be that the London market will, at worst, mark time until the end of the year, with perhaps a modest advance in share prices if signs of economic improvement become evident.

There were modest gains in some blue chip stocks, among which Glaxo stood out firmly. Building stocks, still suppressed recently by poor news on the corporate front, made headway yesterday, but gains among the composite insurers mostly reflected modest support in difficult markets.

Seaq-reported trading volume at 433m shares was hardly comparable with the 869.6m reported on Friday, when business was swollen by one large deal in the second line issues. However, yesterday's Seaq total compared satisfactorily with more normal averages for recent sessions.

Some nervousness was expressed, however, regarding the continued fall in UK government bonds which drew no benefit from the steadier performance of the pound on the foreign exchange markets. The UK stock market remained a prey to uncertainty and is expected to respond closely to developments on Wall Street overnight.

FINANCIAL TIMES STOCK INDICES

GILT EDGED ACTIVITY

"SE Activity 1974. †Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

L & G helps sector

ENCOURAGING new business figures for the nine-months to end-September triggered a change of sentiment in Legal & General shares, which spearheaded a general recovery in life assurance stocks. Last week the life sector hit a 12-month relative low against the market.

At the close L & G was 11 higher at 393p, having touched 395p at one point. Turnover, however, remained at a disappointingly low level of 788,000 shares.

The company's worldwide new life and pensions income during the nine months came out at a record £1.05bn, up from the £663m recorded in the same period last year.

L & G shares were also stimulated by a positive note on the sector by Smith New Court. The latter said the life sector had been knocked by worries about probable changes in accounting procedures and a likely reduction in reversionary bonuses, as well as by concern about the moves by banks into the life business. But Mr Roman Cizdyn at Smith said life shares are "very attractive at current levels, the bull case for life stocks is stronger than ever".

TVs in turmoil

There was hectic trading in the television contractors sector as tomorrow's day of reckoning approached for winners and losers of the next round of franchises.

Most stocks rose in heavy trading as some in the market felt incumbents would keep their franchises. The main exception was Thames TV, down 11 to 193p, as it became widely assumed that Carlton Communications would pick up the London weekday operation. Carlton firmed 6 to 526p.

Volume in Granada soared to 5.6m, the highest for two months. The price advanced 10 to 175p, helped by the disposal of a loss-making Canadian business for C$75m (£38m) and a broker's valuation of satellite television operator BSkyB at £2bn. Granada has a 12 per cent stake in BSkyB. The sharpest rise came from LWT Convertibles – there are no ordinary shares in the company traded on the Seaq. The convertibles rose 22 to 146p, making a two-day gain of 31.

Other television companies to benefit from what Mr Neil Blackley at James Capel called a knee-jerk reaction to press comment were: Anglia, 15 to the good at 236p; Scottish, up 31 at 605p xd; and USM-quoted programme maker SelecTV, which climbed 4½ to 22½p.

BAA supported

Among leading stocks to buck the market trend was BAA, the UK airports management group, which fell 9 to 439p after several brokers downgraded profits expectations to allow for anticipated provisions against property and redundancy costs.

The move followed Friday's announcement from Hammerson, the UK property group, that it will make a £90m provision against its property development on New York's Fifth Avenue. Lynton, BAA's property subsidiary, has a similar New York joint venture development and analysts believe that it may also be obliged to make provisions.

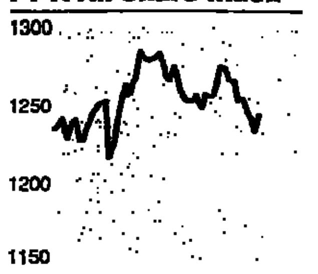
Mr Mark Laurence at Carr Kitcat & Aitken cut his current year forecast by £40m to £210m to take account of the US property downturn, redundancy costs and the sluggish recovery in airline passenger traffic.

Shearson Lehman lowered its profits forecast for BAA, trimming the current year figure by £35m to £270m. Share turnover reached £1.2m yesterday.

Glaxo and SmithKline Beecham rose as S.G. Warburg issued recommendations on both, well placed analysts said. SmithKline is due to release figures later this month and Warburg believes they will show the company in a good light. The shares rose 9 to 747p. Warburg is broker to Glaxo and both recommendations came in its regular healthcare sector briefing document. Glaxo advanced 23 to 1390p in light trading.

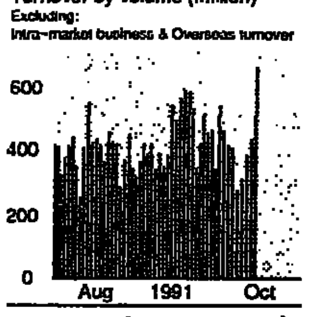
Weekend press comment on Lonrho's yield, and modest strength in the gold price, helped the shares to climb 9¼ to 243p. A buy recommendation from BZW left BAT Industries 6 stronger at 644p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million) Excluding: Intra-market business & Overseas turnover



There was no stopping ML Laboratories in the wake of recent speculative buying in a thin market. The shares jumped a further 83 to 780p in spite of vague talk that the company might bid for fellow heathcare company Haemocell, up 4 at 154p.

Legal & General apart, most of the insurances made solid progress, although thin turnover throughout the sub-sectors indicated that much of the improvement was triggered by the closing of short positions. Lloyds Abbey, where turnover was only 900,000, was a case in point, the shares advancing 13 to 412p. There was genuine institutional demand for Prudential Corporation, however, which moved up 5 to 236p on turnover of 3.4m.

Composites registered good gains across the board, responding to the case that the sector had been oversold. Sun Alliance, the only stock to attract turnover in excess of 1m shares, settled 11 higher at 360p. Commercial Union posted the biggest gain, of 14 at 497p.

Worries about a triple flop by the British Aerospace, Hillsdown Holdings and Asda rights issues prompted a flurry of selling pressure in shares of the merchant banks participating.

S.G. Warburg, joint broker and adviser to both Asda and Hillsdown, lost 11 to 522p, and was additionally unsettled by confirmation that there will be no underwriting of the forthcoming sale of the second tranche of BT shares.

Standard Chartered outpaced other banks, closing 17 ahead at 388p, with a leading agency broker said to have adopted a more positive stance on the stock.

The regional electricity companies were adjusted to include the second instalment of 70p a share and were generally a shade easier on the session.

Recovery buyers helped Lucas Industries shrug off a 56 per cent fall in preliminary profits that had been well signposted by the company's warning in July. The shares hardened 4 to 139p in brisk trade of 3.9m shares.

British Aerospace fluctuated before ending the day 8 better at 379p. The nil-paid shares added a penny at 5¼p. The chairman is doing the rounds of City institutions this week in a bid to avert a possible failure of the £432m rights issue and restore confidence. The company is also holding meetings with analysts to deliver the same message.

The steep fall in British Gas since the DTI recommendations last week was arrested, with Gas shares picking up 3½ to 262p. But sector specialists remained extremely cautious of the shares, especially after Mr James McKinnon, the gas industry regulator, delivered another warning to Gas that he would refer the company to the Monopolies and Mergers Commission if it reneged on its previous agreement on a new price formula for smaller gas users.

Revived bid speculation drove Goal Petroleum a further 3 higher to 75p, while a bullish note published by Hoare Govett helped Clyde Petroleum edge up 2 to 98p.

Profit-taking lowered Ultramar 5 to 265p but early indications were that the trip to the group's California operations had gone well. The recent persistent story of a possible merger between Lasmo and Ultramar was again mentioned in the market.

Some of the fears about the two rights issues in the food sector began to recede. Hillsdown, which is seeking to raise £280.7m, rose 3 to 208p, just below the 210p rights price. Asda gained 4 to 44p, above its rights price of 35p. The feeling in the market was that the Asda rights will be taken up, while there was greater uncertainty surrounding Hillsdown.

Overall turnover was boosted by heavy placings in Platignum, the maker of writing instruments, stationery and furniture. Mr Stanley Cohen, a director of the company, sold 16.4m shares at 2p per share and Queensway Securities, the Cohen family's private company, sold 31.6m at the same price. The shares were placed with institutions.

A spokesman said Mr Cohen, who also has a significant interest in Betterware Consumer Products, had reached retirement age and was winding down his holdings. Platignum shares held at 2¼p.

Office stationery and business forms company Kalamazoo saw one of the biggest percentage gains in the market. The shares jumped 10¼p or 28 per cent to 47½p after announcing sharply improved full-year results.

Courtaulds stood out in an unimpressive chemicals sector, gaining 6 to 489p.

MARKET REPORTERS: Daniel Green, Peter John, Joel Kibazo, Jim McCallum, Steve Thompson.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 26.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (91).
BRITISH FUNDS (8) Tr. 2pc IL 1994, Tr. 2½pc IL 2001, Tr. 2½pc IL 2003, Tr. 2pc IL 2006, Tr. 2½pc IL 2009, Tr. 2½pc IL 2011, Tr. 2½pc IL 2013, Tr. 2½pc IL 2016, AMERICANS (1) Bankers NY, BANKS (1) Mitsubishi, BUILDINGS (3) Boot (H), Polypipe, Wilson Bowden, CHEMICALS (4) Cambridge Isotope, Plysu, Yorkshire, Yule Catto, STORES (4) Crown Eyeglass, Hartstone, Martin (A), World of Leather, ELECTRICALS (2) Druck, Macro 4, ENGINEERING (3) Prospect Inds., Victaulic, Wagon Indl., FOODS (2) Brake Bros, Sims, INDUSTRIALS (13) Bridport-Gundry, CRT, EIS, Halma, Harding, Hays, Kalamazoo, ML Laboratories, Ross, Seton Healthcare, Silentnight, Sketchley, UDO, INSURANCE (1) Domestic & General, LEISURE (6) Campari, Grampian TVA, LWT 3.9375p Prfd., Scottish TV, Select TV, PAPERS (2) Fairway (London), Shandwick, PROPERTY (1) Town Centre, TEXTILES (1) Allied Textiles, TRANSPORT (1) British Airways, TRUSTS (8) Biotech Ptg. Prf., City of Oxford Zero Prf., Drayton Blue Chip Zero Prf., EFM Income Zero Prf., Moorgate Smlr. Cos. Inc., Murray Split Cap. Zero Prf., Olim Zero Prf., River Plate Zero Prf., OILS (1) Woodside.
NEW LOWS (39).
CANADIANS (2) Gulf Canada, Nova Corp. of Alberta, BANKS (1) Joseph (L), BREWERS (1) Burtonwood, BUILDINGS (6) Costain, Higgs & Hill, RMC, Tarmac, Ward Group, Wimpey (G), STORES (1) Clinton Cards, ELECTRICALS (4) Burnfield, Gresham Telecomputing, Norsk Data A, Sunleigh, ENGINEERING (4) Beauford, Ferrum, Vernon, WB Inds., FOODS (1) Ashley, INDUSTRIALS (5) Elkem, Melville, Shanks & McEwan, Stainless Metalcraft, Trafalgar House A, INSURANCE (2) GRE, Royal, LEISURE (1) Wembley, PROPERTY (1) Barlows, TRUSTS (7) Abtrust New Thai, City & Commercial Inc., EFM Java, French Property, Guidehouse, Jove Inv. Inc., Murray Split Capital Cap., OILS (2) Midland & Scottish Res., Sceptre Res., MINES (1) Young.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

NEW-ACCOUNT enthusiasm rippled through the derivatives markets and bullish futures traders easily overcame incipient nervousness in the underlying cash market, writes Peter John.

The December Footsie future was uncertain at the opening but rallied sharply as the sellers stayed away and pulled the index with it. One trader argued that the index fell too far last week and its weakness yesterday morning was unjustified considering Wall Street's firm close on Friday.

The December contract maintained a premium to its estimated fair value, recalculated at the opening of the new account as between 34.5 and 36 points above the index. December closed at 2615, a premium of 42 to the index, with more than 5,800 lots traded. In after hours dealing it rose a further 10 points.

Optimism over the Footsie's anticipated performance was also evident in LTOM where the Footsie option saw heavy put selling. Amstrad was the top stock option. One leading agency broker sold 2,000 March 45-35 call combinations at 8, bought 1,000 of the December 60 puts at 25½ and bought 1m underlying shares. Morgan Stanley dealt 3,000 BT calls, buying the November 360s and selling the May 360s.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

Continued on next page

APPOINTMENTS

Alliance & Leicester deputy chairman

■ Mr Niall Crowley has been appointed as a deputy chairman of ALLIANCE & LEICESTER, the UK's third largest building society.

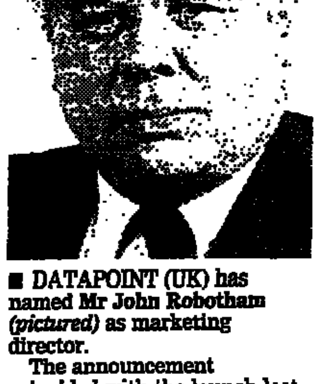
Mr Crowley, 65, joined the board of Alliance & Leicester in January last year. A chartered accountant, he was chairman of Allied Irish Banks from 1977 to 1989, managing partner in KPMG Stokes Kennedy Crowley from 1969 to 1977, and chairman of Irish Life Assurance from 1974 to 1983. He holds directorships with a number of other companies.

■ STIRLING GROUP has appointed Professor Tom Cannon as a non-executive director. He is currently the Director of Manchester Business School.

■ CADOGAN MANAGEMENT has appointed Mr John Grant and Mr Roger Hymas as directors.

Mr Grant was a financial and strategic adviser to the ICI board. He was instrumental in establishing the National Association of Security Dealers and Investment Managers (Nasdim), and was chairman of The Strategic Planning Society until this September.

Mr Hymas has held senior management positions with American Express, Burton Group, and GE Capital Corp. of the US.



■ DATAPOINT (UK) has named Mr John Robotham (pictured) as marketing director.

The announcement coincided with the launch last Friday of Datapoint's new family of high performance PCs and a range of UNIX multi-user systems.

Mr Robotham was previously with Bull as market development manager. At Datapoint, one of his early objectives will be to spearhead the company's drive into the open systems arena.

■ THE NATIONAL TRUST, Britain's largest conservation charity, has appointed Mr Michael Taylor as director of public affairs.

Mr Taylor joins the trust from Western Union Consumer Services, where he was general manager. He was previously head of marketing at Mercantile Group, and prior to that marketing director for Volvo Concessionaires.

Sir Peter Parker to chair NEDC working party

■ The Director General of the NATIONAL ECONOMIC DEVELOPMENT OFFICE has appointed Sir Peter Parker to chair the NEDC Strategy for Success Working Party.

Sir Peter, chairman of Rockware Group, Mitsubishi Electric (UK) and several other companies, has a distinguished career in business and public affairs. He has made a particular contribution to the improvement of management practice in the UK.

The working party arises from research undertaken in 1987 on the development of business strategy for company success. Sir Peter will lead a programme to implement this work in companies.

■ Mr John Raisman, until last month non-executive deputy chairman of BT, has become chairman of THE COUNCIL FOR INDUSTRY AND HIGHER EDUCATION. He takes over from Lord Prior, the Council's founder and first chairman.

Mr Raisman has been a member of the Council since 1988. He spent more than 30 years with Royal Dutch/Shell Group, latterly as chief executive and chairman of Shell UK from 1978 to 1985. He remains a non-executive director of Lloyds Bank and is a board member of Candover Investments and Tandem Computers.

■ Mr Geoffrey Coates, chairman of Sir Alexander Gibb & Partners Ltd, one of the world's leading firms of consulting engineers, has been made president of the International Federation of Consulting Engineers (FIDIC) at its annual meeting in Tokyo. It is a two-year term of office.

■ Mr Mike Dudley will become finance director of PRUDENTIAL CORPORATION's international division with effect from November 1. He has been serving as finance director of Prudential Property Services.

■ Sir Bernard Ingham, formerly press secretary to Mrs Margaret Thatcher throughout her time as prime minister, has joined HILL AND KNOWLTON (UK) as a non-executive director.

Correction

■ At BARRY WEHMILLER INTERNATIONAL, Mr Michael Windsor has been made non-executive deputy chairman. It was inadvertently mentioned in Monday's edition that Mr Windsor had been appointed non-executive group chairman. Mr N.H. McLean is the chairman of Barry Wehmiller International.

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Share Code Booklet ring 071-925-2128

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain your free Share Code Booklet ring 071-925-2128

LEISURE—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
9	2½	♦BCE Hldgs 5p	5	....	–	–	–	–
178	123	Barr & W.A.T. 'A'	169	....	9.75	1.7	7.7	10.4
840	425	Boosey & Hawkes	803xd	–1½	†16.4	2.9	2.7	15.0
58	24	♦Border T.V.	58	+½	2.1	2.6	4.8	10.5
88	9½	Brent Walker 10p	23	....	5.0	–	29.0	–
28	2½	Do 6pc Cv Cm Rd Pf £1	8¼	+¼	–	–	–	–
55	13	Buckingham Int'l 10p	28	....	‡2.1	1.8	‡	6.5
365	183	Campari Int. 20p	364	+3	†11.0	2.9	4.0	10.0
231	134	Capital Radio 2½p	228	+1	5.25	2.9	3.1	15.0
548	350	Carlton Comms 5p	525	+6	†14.1	2.4	3.6	14.7
85	61	Do 6.5p Prf 5p	84	+2	6.5	–	10.3	–
253	168	♦Castle Comms 5p	218	....	8.5	1.7	5.2	14.6
1038	480	Central ITV	1028xd	+7½	28.5	1.2	3.7	30.1
164	120	Chiltern Radio 10p	163	....	14.8	2.6	3.9	12.5
89	39	Chrysalis	81	....	‡2.0	–	‡	–
69	27	Cityvision 5p	34	–1	1.0	7.0	3.9	4.5
6	3	Classic Th'tres $0.20	3	....	–	–	–	–
309	225	Eurocamp 5p	288	–3	R8.5	2.5	3.9	13.8
1410	908	Euro Disney Fr10	1409	....	–	–	–	–
30	5	European Leis. b25p	10	+1	0.7	♦	9.5	♦
*44	21½	Ex Lands 10p	34½	....	–	–	–	–
47	8	♦Expecter 20p	9	+1	‡1.0	2.7	‡	2.4
593	405	Fairline Boats 10p	528	–5	21.0	4.1	5.3	6.1
282	188	First Leisure	273	+4	†5.05	2.6	2.5	18.8
260	195	♦GWR Group 20p	258	–1	‡6.0	3.2	‡	13.5
80	59	Grampian TVA 10p	80	+3	4.1	3.1	6.8	6.2
8	4	♦Greenwich Comm 1p	4	....	–	–	–	–
63	33	HTV Ord	51½	–½	3.75	1.2	9.7	11.9
203	55	Hi-Tec Sports	195xd	+½	†5.0	2.7	3.4	12.7
4¾	1½	Hat'l Media Comm. 1p	2¼	....	–	–	–	–
64	30	Int'l Resort Hldgs	47	....	2.5	♦	7.5	♦
92	49	Mavica Sound 10p	90	+3	1.0	4.2	1.5	28.3
*47	23½	Kunick 10p	23½	....	2.0	2.2	11.3	5.6
88	53	Do. 8¼pc Pf. 5p	68	+2	8.25	–	16.2	–
150	80	LWT Hlgs 7.875p Prf 5p	146	+22	3.44	–	3.6	–
335	262	Manchester Utd 10p	292	–2	–	–	–	♦
353	155	Marina Devs 50p	170	–1	5.0	0.5	3.9	–

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Contd

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRANSPORT

[illegible]

INVESTMENT TRUSTS

1991 High	Low	Stock	Price	+ or –	Div Net	Y'ld Gr's	NAV	Dis or Pm(-) %
[illegible]	94	Aberforth Smaller Cos	137	..	H4.5	4.4	126.8	–8.1
[illegible]	25	Do. Warrants	58	....	–	–	–	–
[illegible]	100	Aberforth Split Lev Inc	109	....	M9.0	11.0	–	–
[illegible]	95½	Do Cap 10p	121	....	–	–	–	–
[illegible]	196	Do Units	232	–1	–	–	206.5	–12.9
[illegible]	301	Abingworth 10p	325	....	4.0	1.6	375.6	13.5
[illegible]	66	Abtrust New Dawn	91	–1	0.5	0.7	106.1	13.3
[illegible]	18	Do Warrts	24	–1	–	–	–	–
[illegible]	12	Do. B Warrants	16	..	–	–	–	–
[illegible]	56	Abtrust New European	69	....	‡0.25	0.5	75.6	8.7

[illegible]

INVESTMENT TRUSTS—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	Y'ld Gr's	NAV	Dis or Pm(-) %
67	51	Nth American Gas	56	....	3.75	8.9	74.2	24.5
20	4	Do. Warrants	6	....	–	–	–	–
104	65½	Nth. Brit. Canadian	101xd	–1	‡3.0	4.0	107.9	6.4
90	64	Olim Conv Tst	84	....	‡8.15	12.9	73.9	–13.0
142	108	Do Zero Cpn Prf	142	+½	–	–	–	–
249	183	Overseas Inv Tst	235	....	2.4	1.4	283.6	17.1
100	81	Do. Warrants	97	....	–	–	–	–
226	133	Pacific Assets 50p	194	–3	‡0.86	0.6	208.1	6.8
137	82	Do Warrants	122½	–½	–	–	–	–
33	21	Pacific Horizon Tst 10p	28	....	–	–	33.5	16.5

[illegible]

Net asset values supplied by County NatWest Wood Mackenzie as a guide only.

FINANCE, LAND, ETC

[illegible]

FINANCE, LAND, ETC—Contd

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
152	59½	Do. Warrants	124	–6	–	–	–	–
504	334	Scottish Asian Ptg. 1c	452	....	–	–	–	–
1313	840	Siam Fd. Red. Prf.	978	....	–	–	–	–
518	303	Singapore SESDAQ 1c	349	....	–	–	–	–
56	33	Singer & Friedlander	44	....	2.5	1.7	7.2	10.6
145	95	Smith New Court	120	–1	3.5	1.2	3.9	26.9
87	61	Do. Cnv Prf 50p	74	....	6.5	–	11.4	–
131	114	South America Fund	120	....	–	–	–	–
48½	40	Do. Warrants	43	....	–	–	–	–
419	254	South East Asian Wrnts 1c	335	....	–	–	–	–

[illegible]

WATER

[illegible]

OIL AND GAS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

MINES—Contd

Australians

1991 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
53	24	♦ACM 50c	57	....	♦03c	♦	2.5
27	13	♦ACM Gold	18	+1	Q5c	♦	14.4
3	3	♦Arboyne 50c	3	....	–	–	–
36½	20	♦Aztec Expln.	30	....	201c	–	1.6
49	25	♦Bougainville 1 Kina	29	....	–	–	–
662	355	♦CRA $2	562	–5	‡Q44c	1.9	‡
90	35	♦Central Pacific	65	–1	–	–	–
4	2½	♦Croesus Mining N.L.	3	....	–	–	–

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible] official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Stock	Price	+ or –
Craig & Rose £1	630	....
Finlay Pkg. 5p	28xd	+1
Holt (Jos) 25p	1985	....
Helton Hldgs	37	....
IRG	125	....
United Drug	165	....

IRISH

Stock	Price	+ or –
Cap. 8½% Ln. 2010	£94½	....
9pc Cap Ln. 1996	£98¼	....
Fin. 13% 97/02	£113¼	....
Arnotts	190	....

TRADITIONAL OPTIONS

3-month call rates

Industrials

Stock	p
Allied-Lyons	50
Amstrad	6
Astec (BSR)	5
BAT	53
BOC Grp	48
BTR	33
Barclays	34
Blue Circle	20
Boots	33
Bowaters	55
Brit Aerospace	35
British Steel	10
Brit. Telecom	35
Cadburys	35
Charter Cons	42
Comm Union	40
Courtaulds	38
Eurotunnel	50
FKI	5
FNFC	10
Forte	21
Gen Accident	43
GEC	16
Glaxo	110
Grand Met	67
Guardian	14
GKN	28
Hanson	17
Hawker Sidd	55
ICI	95
Ladbroke	21
Legal & Gen	33
Lex Service	16
Lloyds Bank	30
Lucas Inds	12
Marks & Spencer	21
Midland Bk	20
Nat West Bk	26
P & O Dfd	41
Racal Elect	6
RHM	23
Rank Org Ord	55
Ratners	12
Reed Intnl	35
Sears	8½
SmKl. Beecham A	53
TI	39
TSB	11
Tesco	21
Thorn EMI	65
T&N	14
Unilever	60
Vickers	16
Wellcome	60

Property

Stock	p
Brit Land	27
Control Secs	2
Land Securities	41
MEPC	42
Mountleigh	4

Oils

Stock	p
Aviva Petlm	3
Brit Petroleum	26
Burmah Castrol	47
Conroy Petlm	8
Gaelic Res	1
Premier	4
Shell	40
Tuskar Res	1
Ultramar	20

Mines

Stock	p
Lonrho	20
RTZ	46

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,150 a year for each security shown, subject to the Editor's discretion.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

AUTHORISED UNIT TRUSTS

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♣) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

هكذا من الأصل

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

Allied Dunbar Assurance Plc

Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

	Bid Price	Offer Price	+ or −	Yield Gross
Life Funds				
Fixed Int. Dep. Acc.	322.6	339.6	+0.2	–
Equity Acc.	1032.7	1087.1	+0.6	–
Property Acc.	487.4	513.1	−0.1	–
Far East Acc.	204.0	214.8	−0.6	–
European Acc.	25.2	26.6	....	–
Managed Cap	430.4	453.1	+0.2	–
Managed Acc.	805.1	847.5	+0.5	–
O'seas Earnings Acc.	717.4	755.2	+1.4	–
Gilt Edged Acc.	369.6	389.1	....	–
American Equity Acc.	548.8	577.7	−0.2	–
American Man. Acc.	244.8	257.7	−0.2	–
American Prop Acc.	126.3	133.0	−0.3	–
High Income Acc.	23.7	25.0	....	–
Gen 4				
Fixed Int. Dep Acc.	26.8	28.3	....	–
Equity Acc.	27.0	28.5	....	–
Property Acc.	23.3	24.6	....	–
Far East Acc.	23.7	25.0	−0.1	–
European Acc.	21.2	22.4	....	–
Managed Acc.	26.9	28.4	....	–
Overseas Acc.	27.8	29.3	+0.1	–
Gilt Acc.	28.7	30.3	....	–
Am Equity Acc.	27.1	28.6	....	–
Am Managed Acc.	26.5	27.9	....	–
Am Property Acc.	21.8	23.0	−0.1	–
High Income Acc.	23.7	25.0	....	–
High Income Ser 2.	23.7	25.0	....	–
Pension Funds				
F. I. Dep Cap.	356.3	375.1	....	–
F. I. Dep Acc.	662.4	697.3	+0.6	–
Prop. Cap.	507.9	534.7	−0.1	–
Prop. Acc.	1044.3	1099.3	....	–
Man. Cap.	895.7	942.9	+0.5	–
Man. Acc.	1842.0	1939.0	+1.6	–
Gilt Edged Cap	361.9	381.0	−0.1	–
Gilt Edg. Acc.	606.9	638.9	+0.1	–
Eq. Cap.	1467.6	1544.9	+0.7	–
Eq. Acc.	2289.7	2406.0	+1.9	–
Am. Eq Cap.	185.6	195.4	+0.7	–
Am. Eq Acc.	243.2	256.0	+0.9	–
Far East Cap.	222.5	234.1	−0.4	–
Far East Acc.	291.4	306.8	−0.4	–
Euro Cap.	28.7	30.3	....	–
Euro Acc.	33.9	35.7	−0.1	–
B.S. Cap.	414.4	435.2	+0.3	–

Continued on next page

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

N & P Life Assurance Ltd

6-7 Bedford Row, London, WC1R 4UJ 071-430 2348

	Bid Price	Offer Price	+ or -	Yield Gross
Life Managed Fd	108.1	113.8	.....	-
Pension Managed Fd	106.0	111.6	.....	-
Life Deposit Fd	110.0	115.8	.....	-
Pension Deposit Fd	116.3	122.4	.....	-

For National Fin see Target Life

National Mutual Life

The Priory, Priory Pk, Hitchin, SG5 2DW 0462 422422

	Bid Price	Offer Price	+ or -	Yield Gross
Harvester Pension Funds				
Managed	168.6	177.5	.....	-
UK Equity	180.4	189.9	.....	-
Overseas Equity	132.3	139.3	.....	-
Fixed Interest	154.9	163.1	.....	-
Property	134.9	142.0	.....	-
Index Linked	151.5	159.5	.....	-
Deposit	162.3	170.9	.....	-
With Profits (b)	132.8	139.8	.....	-

National Provident Institution

48 Gracechurch St, London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	356.7	375.5	-0.5	-
UK Equity	451.5	475.3	-0.6	-
Overseas Eq	343.4	361.5	-1.2	-
Americas	285.0	300.0	-0.5	-
Far East	379.9	399.9	-0.3	-
Property	193.9	204.2	-0.1	-
Fixed Int	269.7	283.9	+0.4	-
Indexed Gilt	161.5	170.0	+0.3	-
Deposit	186.4	196.3	+0.2	-
With Profit	103.8	109.3	+0.1	-
Pension Fund (Accum Units)				
Managed	513.2	540.3	-1.1	-
UK Equity	610.4	642.6	-0.6	-
Overseas Eq	578.4	608.9	-3.7	-
Americas	360.3	379.3	-0.6	-
Far East	619.7	652.4	+0.4	-
Property	246.8	259.8	-0.1	-
Fixed Int	336.1	353.8	+0.2	-
Indexed Gilt	176.2	185.5	+0.2	-
Deposit	263.6	277.5	+0.2	-
NPI Pensions Management Ltd				
Managed Fund	1139.4	1199.7	.....	-

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 48p per minute peak and 36p off peak, inc VAT. To obtain your free Unit Trust Code Booklet ring (071) 925-2128.

Baring International Fd Mngrs (Ireland) Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Australia	$16.68	17.52	+0.27	1.05
Japan Tech	$63.09	66.25	-0.02	-
Japan Fund	$26.28	27.60	-0.05	0.17
Japan New Cntrl Fd	$20.42	21.49	-0.02	-
Malay Sing	$51.02	53.58	+1.30	0.31
Nth American	$21.47	22.58	+0.04	0.58
Octopus Fund	$21.20	22.26	+0.24	0.88
Pacific Fd	$63.67	66.86	+0.38	-
International Bond	$17.41	18.29	+0.18	6.89
Europa Fund	$13.37	14.04	+0.01	-
British Screen Fd	£0.90	0.98	-	-
Trislar Warrant	$10.30	10.82	+0.34	-
Hong Kong	$50.18	52.69	+0.50	3.09
Ringgit Portfolio (Sing)	£4.18	4.51	+0.01	-
Ringgit Portfolio (Dist)	$10.18	10.74	+0.01	-
Currency Fd-Sterling	£19.50		----	-
Currency Fd-US Dollar	$15.36		----	-
Curr Fd-Deutschemark	DM40.54		+0.01	-
Curr Fd-Managed $	$44.92	47.36	+0.07	-

Federated International Funds Plc

Federated Short-Term US Gov't Securities Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Institutional Svc Series*	$1.00		----	5.27
Investment Series*	$1.00		----	5.27

* Annualised Yield

Midland Bank Fund Managers (Jersey) Ltd

PO Box 26, St Helier, Jersey 0534 606000

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Circuit Portfolio	4	£1.9820	1.6020	1.0627	[illegible]	1.65
Gilt	3	[illegible]	0.9288	0.9578	[illegible]	10.44

For MIM see INVESCO MIM

Royal Trust Jsy Fd Mngt Ltd (1400)F

PO Box 428, St Helier, Jersey 0534 76077

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Govt Secs Fd	4	156.49	56.49	58.83	+0.11	9.52

TSB Trust Funds (CI)

PO Box 538, St Helier, Jersey 0534 73494

TSB Offshore Investment Fund Ltd

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stg Deposit Class	3	101.64	101.64	104.69	+0.08	10.00
Gilt & Fixed Interest	3	104.22	104.22	108.06	-0.12	7.96
Blue Chip & Gilt Edged	5	50.48	50.48	53.76	-0.30	3.72
International Bond	5	109.94	109.94	116.03	+0.29	5.52
UK Equity	5	137.68	137.68	149.19	-0.56	0.92
International Equity	5	117.25	117.25	125.21	-0.12	0.00
Far Eastern	5	92.32	92.32	98.75	-0.33	0.00
European	5	85.70	85.70	90.80	-0.46	0.00
Pan American	5	144.97	144.97	154.22	+0.91	0.00

TSB Gilt Fund Ltd

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Quarterly Share	3	96.77	96.77	100.00	-0.01	10.30
Monthly Share	3	96.41	96.41	99.61	-0.01	10.34

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1600)F

Lord Street, Douglas, IoM 0624 661551

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
ADI Managed (z)	5	[illegible]	0.5778	0.6153	[illegible]	2.33
ADI Mgd Currency (z)	5	[illegible]	0.3924	0.4137	[illegible]	5.54
ADI W'wide Eq (z)	5	[illegible]	0.6407	0.6823	[illegible]	1.13
ADI Nth Amer Gth (z)	5	[illegible]	0.7434	0.7917	[illegible]	0.01
ADI Far East (z)	5	$1.122	1.122	1.194	[illegible]	1.11
ADI Gilt & Income (z)	5	[illegible]	0.2525	0.2668	[illegible]	[illegible]
ADI UK Cap Gth (z)	5	[illegible]	0.2306	0.2458	[illegible]	3.3
ADI Europe Fd (z)	5	DM1.13	1.135	1.204	[illegible]	1.43

For conversion Prices of Shares Phone 0624 662860

Asset Global Funds Ltd (1200)

JERSEY (REGULATED)(**)

Barclays Intl Funds

	Bid Price	Offer Price	+ or -	Yield Gross
Currency Funds				
Sterling		£21.19	+0.02	9.6
US Dollar		$31.34	+0.01	4.3
Deutschemark		DM54.95	+0.03	7.9
Yen		Y4,001	+0.002	6.0
Managed Multicurrency	£13.29	13.77	-0.06	-
Managed Multicurrency	$25.16	26.05	+0.01	-
Bond Funds				
Sterling Bond	£0.413	0.429	-0.001	10.6
US Government Income	$99.01	102.53	+0.49	6.6
Asian Selection Funds				
Hong Kong	$12.775	13.447	+0.085	1.3

LUXEMBOURG (SIB RECOGNISED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

LUXEMBOURG (REGULATED)(**)

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Yen edges higher following G7

THE yen edged higher yesterday following the agreement at the weekend by the finance ministers of the Group of Seven leading industrial countries that the Japanese currency should rise to prevent a further increase in Japan's trade surplus.

With the dollar stronger, the yen's move up was only modest and came in a market bereft of interest due to the closure of US exchanges for the Columbus Day holiday. Nevertheless, the G7 meeting effectively approved of the market's revaluation of the yen in the last fortnight.

The communiqué issued by the G7 said Japan's balance of payments surplus should be prevented from increasing again but gave only a vague indication that ministers wanted a stronger yen.

It was left to Mr Pierre Bérégovoy, the French finance minister, to say that, despite the blandly worded communiqué, ministers had agreed to a stronger yen.

The G7 hopes that a stronger yen will prevent Japan's trade surplus growing as the US pulls out of recession and will head off protectionist pressures in the US.

These concerns were underlined yesterday by the latest Japanese trade figures. The trade surplus in September rose to $9.76bn from $6.89bn a year earlier, with the US accounting for nearly half of the deficit. In the first nine months of this year, Japan's surplus was $54bn against $41bn over the same period last year.

The yen strengthened against most currencies. The D-Mark fell to 76.08-18 from Y76.74 on Friday; the dollar fell to Y129.35 from Y129.75; and sterling fell to Y222.00 from Y223.25.

The dollar drifted higher in the absence of any market moving news and with many participants on the sidelines due to the US holiday.

But the suspicion that the Federal Reserve is about to ease US monetary policy prevented the dollar from moving much higher. If the consumer price figures for September, released tomorrow, confirm that inflation is falling, the way will be open for the Fed to shed ¼ point from the Fed funds rate, bringing it down to 5 per cent.

The dollar closed higher at DM1.6995 from DM1.6925; at SFr1.4855 from SFr1.4830; and at FFr5.7900 from FFr5.7700.

Sterling was steady following the Bank of England's intervention in the currency markets last week at DM2.90. Sterling closed higher at DM2.9175 from DM2.9100; at FFr9.9375 from FFr9.9225; was unchanged at SFr2.5500; and was lower at $1.7165 from $1.7195.

The peseta was firm as the Bank of Spain left its key money market rate unchanged at 12.6 per cent. With Mr Carlos Solchaga, the finance minster, ruling out an early move to the narrower ERM bands until inflation is lower there seems little prospect of an early easing in Spanish rates. The D-Mark was steady at Pta 63.00.

£ IN NEW YORK

Oct.14	Close	Previous Close
£ Spot	1.7010-1.7025	1.7230-1.7240
1 month	0.81-0.80pm	0.77-0.75pm
3 months	2.09-2.07pm	2.07-2.05pm
12 months	7.20-7.10pm	7.12-7.05pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

		Oct.14	Previous
8.30	am	90.4	90.3
9.00	am	90.4	90.2
10.00	am	90.4	90.3
11.00	am	90.4	90.3
Noon		90.4	90.3
1.00	pm	90.4	90.3
2.00	pm	90.4	90.3
3.00	pm	90.4	90.3
4.00	pm	90.4	90.4

CURRENCY MOVEMENTS

Oct 14	Bank of England Index	Morgan** Guaranty Changes %
Sterling	90.4	-21.0
U.S Dollar	64.5	-14.7
Canadian Dollar	106.6	+4.1
Austrian Schilling	109.0	+11.5
Belgian Franc	110.6	-2.4
Danish Krone	108.3	+3.2
D-Mark	116.9	+23.9
Swiss Franc	109.1	+17.6
Dutch Guilder	113.3	+15.5
French Franc	101.8	-13.7
Lira	98.4	-19.9
Yen	144.3	+77.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Oct.11

CURRENCY RATES

Oct 14	Bank rate %	Special* Drawing Rights	European† Currency Unit
Sterling	-	0.793868	0.703411
U S Dollar	5.00	1.36188	1.20930
Canadian $	8.46	1.53783	1.36530
Austrian Sch	7.50	16.2391	14.4101
Belgian Franc	8.00	47.5092	42.1684
Danish Krone	9.50	8.89444	7.89252

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 14	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.081	-3.40	4.79	59
Belgian Franc	42.4032	42.1684	-0.56	1.79	31
Italian Lira	1538.24	1531.58	-0.43	1.66	25
D-Mark	2.05586	2.04796	-0.38	1.61	30
Dutch Guilder	2.31643	2.30784	-0.37	1.60	22
Irish Punt	0.767417	0.766013	-0.18	1.41	12
Danish Krone	7.84195	7.89252	0.64	0.58	-26
Sterling	0.696904	0.703411	0.93	0.29	-19
French Franc	6.89509	6.97950	1.22	0.00	-63

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Oct 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.7155 - 1.7235	1.7160 - 1.7170	0.81-0.79cpm	5.59	2.09-2.06pm	4.84
Canada	1.9355 - 1.9460	1.9395 - 1.9405	0.34-0.27cpm	1.89	1.04-0.91pm	2.01
Netherlands	3.2750 - 3.2925	3.2825 - 3.2925	[illegible]cpm	1.14	[illegible]pm	0.91
Belgium	59.80 - 60.10	59.95 - 60.05	10-5cpm	1.50	20-13pm	1.10
Denmark	11.2025 - 11.2445	11.2075 - 11.2175	[illegible]orepm	1.00	[illegible]-1pm	0.56
Ireland	1.0875 - 1.0910	1.0885 - 1.0895	0.03-0.07pdis	-0.55	0.01-0.11dis	-0.22
Germany	2.9090 - 2.9200	2.9150 - 2.9200	[illegible]pfpm	1.29	[illegible]pm	0.86
Portugal	248.80 - 250.70	248.80 - 249.80	18-46cdis	-1.54	113-188dis	-2.41
Spain	182.80 - 184.05	183.30 - 183.60	22-31cdis	-1.73	87-100dis	-2.04
Italy	2175.35 - 2179.40	2177.25 - 2178.25	par-2liredis	-0.55	5-7dis	-1.10
Norway	11.3780 - 11.4235	11.3875 - 11.3975	[illegible]orepm	0.39	[illegible]dis	-0.11
France	9.9115 - 9.9425	9.9325 - 9.9425	1¼-1cpm	1.36	[illegible]pm	0.83
Sweden	10.5875 - 10.6350	10.6250 - 10.6350	[illegible]oredis	-0.35	[illegible]dis	-0.45
Japan	221.50 - 222.50	221.50 - 222.50	[illegible]ypm	4.05	[illegible]-2pm	3.72
Austria	20.45 - 20.51	20.45 - 20.49	[illegible]gropm	1.54	[illegible]pm	0.74
Switzerland	2.5415 - 2.5550	2.5450 - 2.5550	[illegible]cpm	2.35	[illegible]pm	1.96
Ecu	1.4175 - 1.4240	1.4175 - 1.4185	0.11-0.06cpm	0.72	0.17-0.10pm	0.38

Commercial rates taken towards the end of London trading. Six-month forward dollar 3.93-3.88cpm. 12 Month 7.21-7.11pm.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Oct 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7155 - 1.7235	1.7160 - 1.7170	0.81-0.79cpm	5.59	2.09-2.06pm	4.84
Ireland†	1.5740 - 1.5830	1.5740 - 1.5750	0.68-0.63cpm	4.99	1.85-1.75pm	4.57
Canada	1.1280 - 1.1300	1.1290 - 1.1300	0.34-0.36cdis	-3.72	0.78-0.83dis	-2.85
Netherlands	1.9025 - 1.9155	1.9145 - 1.9155	0.68-0.71cdis	-4.36	1.86-1.90dis	-3.93
Belgium	34.75 - 35.00	34.90 - 35.00	11.20-13.20cdis	-4.19	31.00-36.00dis	-3.83
Denmark	6.5100 - 6.5350	6.5300 - 6.5350	2.40-2.70oredis	-4.68	6.75-7.35dis	-4.32
Germany	1.6880 - 1.7000	1.6990 - 1.7000	0.61-0.62pfdis	-4.34	1.69-1.71dis	-4.00
Portugal	145.60 - 147.80	145.70 - 145.80	83-90cdis	-7.12	257-272dis	-7.26
Spain	106.50 - 107.05	106.95 - 107.05	69-73cdis	-7.96	186-193dis	-7.08
Italy	1262.75 - 1269.60	1268.50 - 1269.00	6.50-7.00liredis	-6.38	18.30-19.30dis	-5.93
Norway	6.6090 - 6.6400	6.6350 - 6.6400	2.90-3.20oredis	-5.51	7.90-8.40dis	-4.91
France	5.7540 - 5.7925	5.7875 - 5.7925	2.07-2.12cdis	-4.00	5.74-5.84dis	-3.68
Sweden	6.1515 - 6.1950	6.1900 - 6.1950	2.90-3.15oredis	-5.86	8.10-8.55dis	-5.38
Japan	128.75 - 129.40	129.30 - 129.40	0.17-0.18ydis	-1.62	0.36-0.37dis	-1.13
Austria	11.8800 - 11.9450	11.9400 - 11.9450	4.30-4.70grodis	-4.52	11.80-13.10dis	-4.17
Switzerland	1.4760 - 1.4865	1.4850 - 1.4860	0.38-0.40cdis	-3.15	1.06-1.10dis	-2.91
Ecu	1.2055 - 1.2125	1.2070 - 1.2080	0.50-0.48cpm	4.87	1.38-1.32pm	4.47

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 6¼-6⅛ per cent; three years 6⅝-6½ per cent; four years 7⅛-7 per cent; five years 7⅜-7¼ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Oct.14	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.717	2.918	222.0	9.938	2.550	3.288	2178	1.940	60.00	1.418
$	0.582	1	1.699	129.3	5.788	1.485	1.915	1268	1.130	34.94	0.826
DM	0.343	0.588	1	76.08	3.406	0.874	1.127	746.4	0.665	20.56	0.486
YEN	4.505	7.734	13.14	1000.	44.77	11.49	14.81	9811	8.739	270.3	6.387
F Fr.	1.006	1.728	2.936	223.4	10.	2.566	3.309	2192	1.952	60.37	1.427
S Fr.	0.392	0.673	1.144	87.06	3.897	1	1.289	854.1	0.761	23.53	0.556
H Fl.	0.304	0.522	0.887	67.52	3.023	0.776	1	662.4	0.590	18.25	0.431
Lira	0.459	0.788	1.340	101.9	4.563	1.171	1.510	1000.	0.891	27.55	0.651
C$	0.515	0.885	1.504	114.4	5.123	1.314	1.695	1123	1	30.93	0.731
B Fr.	1.667	2.862	4.863	370.0	16.56	4.250	5.480	3630	3.233	100.	2.363
ECU	0.705	1.211	2.058	156.6	7.008	1.798	2.319	1536	1.368	42.31	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

OTHER CURRENCIES

	£	$
Australia	2.1490 - 2.1510	1.2500 - 1.2510
Brazil	978.050 - 979.750	569.300 - 569.600
Finland	7.0845 - 7.1060	4.1280 - 4.1310
Greece	320.650 - 325.800	186.870 - 189.860
Hong Kong	13.2985 - 13.3125	7.7425 - 7.7445
Iran	115.50*	67.00*
Korea(Sth)	1280.80 - 1301.45	745.50 - 754.50
Kuwait	0.49210 - 0.49260	0.28865 - 0.28875
Luxembourg	59.95 - 60.05	34.90 - 35.00
Malaysia	4.7065 - 4.7145	2.7420 - 2.7440
Mexico	5258.80 - 5268.35	3061.00 - 3063.00
N.Zealand	3.0295 - 3.0335	1.7615 - 1.7635
Saudi Ar.	6.4120 - 6.4885	3.7500 - 3.7510
Singapore	2.9050 - 2.9120	1.6905 - 1.6925
S.Af (Cm)	4.8505 - 4.8620	2.8220 - 2.8250
S.Af (Fn)	5.3250 - 5.4085	3.0960 - 3.1445
Taiwan	45.50 - 45.60	26.50 - 26.55
U.A.E.	6.2785 - 6.3555	3.6715 - 3.6735

* Selling rate.

FINANCIAL FUTURES AND OPTIONS

MONEY MARKETS

London rates steady

LONDON money rates were broadly steady again yesterday, underpinned by expectations of a large liquidity shortage and a belief that there will be no early reduction in UK interest rates.

Large flows of funds into the Treasury this week from customs & excise duties are forecasted to drain liquidity by up £4bn.

So there was surprise when the Bank of England estimated a daily shortage of just £200m. Overnight money and period rates eased in response.

UK clearing bank base lending rate 10.5 per cent from September 4, 1991

The Bank provided assistance to the market during the afternoon, buying £3m of band 2 bank bills at 10⅜ per cent and late assistance of £155m.

With only £157m of liquidity injected into the market and the shortage revised to £250m, rates hardened back to the previous day's close. A shortage of around £1.5bn is expected today.

Three months money closed unchanged at 10⁷⁄₁₆-⅜ per cent; six months was ⅛ easier at 10⁵⁄₁₆-³⁄₁₆ per cent; and twelve months was unchanged at 10¼-⅛ per cent.

Sterling's stability within the European Exchange Rate Mechanism since the Bank of England intervened at DM2.90 has brought calm to the money markets.

Were it not for the expectation of a large money market shortage this week, money rates might have eased slightly. Mr Norman Lamont, the UK chancellor of the exchequer, made cautious noises on the prospects for the economy over the weekend, reinforcing the belief that a further rate is justified on economic grounds.

Most money dealers still believe there will be another ½ point cut in base rates this year. But there is not a consensus on the timing of a move on rates; all that can be agreed is that it will have to follow a period of sterling stability.

In Frankfurt call money rates were steady at 9.10-9.15 per cent after the Bundesbank injected funds into the market at 9.10 per cent. The injection of liquidity was believed to be relatively light.

Rates are expected to remain supported this week as October tax payments drain funds from the system. However, dealers believe there is sufficient bank reserves to cope.

Bank reserves at the Bundesbank fell to DM79.0bn on Friday, from DM81.7bn on Wednesday and compares with an average of DM75.6bn in the first ten days of October.

FT LONDON INTERBANK FIXING

MONEY RATES

NEW YORK — 4pm

Prime rate	8
Broker loan rate	7
Fed.funds	5¼
Fed.funds at intervention	5¼

Treasury Bills and Bonds

One month	-	Three year	6.16
Two month	-	Four year	6.33
Three month	5.10	Five year	6.80
Six month	5.21	Seven year	7.18
One year	5.29	10-year	7.48
Two year	5.88	30-year	7.89

Oct.14	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.05-9.15	9.00-9.15	9.05-9.20	9.20-9.35	9.25-9.40	9.25
Paris	8⅞-9	9⅛-9¼	9³⁄₁₆-9⁵⁄₁₆	9¼-9⅜	9³⁄₁₆-9⁵⁄₁₆	9.25
Zurich	7⅞-7⅝	8-8¼	-	8-8¼	-	-
Amsterdam	8.87-9.00	9.12-9.18	-	9.23-9.80	-	-
Tokyo	6⅞-6¹¹⁄₁₆	6¾-6¹¹⁄₁₆	-	6⅞-6½	-	-
Milan	10⅞-11	11¼-11⅜	-	11⅜-11¼	-	-
Brussels	9.12-9.25	9⅜-9¼	-	9⅜-9¼	-	-
Dublin	10-10¼	10¼-10¼	10¼-10¼	10¼-10¼	10¼-10¼	-

LONDON MONEY RATES

Oct 14	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	10¼	10⅝	10⅜	10⅜	10⅜	10¼
Interbank Bid	8	10¼	10⅞	10¼	10⁵⁄₁₆	10⅛
Sterling CDs	-	-	10⁷⁄₁₆	10⁷⁄₁₆	10⅜	10⅛
Local Authority Deps.	10⅞	10⅞	10⅝	10½	10⅜	10¼
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps	10½	10½	-	-	-	-
Company Deposits	-	-	10⅞	10½	10⅜	10¼
Finance House Deposits	-	-	10½	10⅝	10¼	10¼
Treasury Bills (Buy)	-	-	10⅜	9⅞	9½	-
Bank Bills (Buy)	-	-	10⅞	10	9⅝	-
Fine Trade Bills (Buy)	-	-	-	-	-	-
Dollar CDs	-	-	5.25	5.35	5.35	5.52
SDR Linked Dep. Offer	-	-	7¼	7¼	7¼	7¼
SDR Linked Dep. Bid	-	-	7	7	7	7
ECU Linked Dep. Offer	-	-	9¹¹⁄₁₆	9¹¹⁄₁₆	9⅝	9⅝
ECU Linked Dep. Bid	-	-	9⁹⁄₁₆	9⁹⁄₁₆	9½	9½

Treasury Bills (sell); one-month 10⅛ per cent; three months 9¹³⁄₁₆ per cent; six months 9⅝ per cent; Bank Bills (sell): one-month 10⅛ per cent; three months 9¹⁵⁄₁₆ per cent; Treasury Bills; Average tender rate of discount 9.8476 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day September 30, 1991. Agreed rates for period Oct.26, 1991 to November 25, 1991, Scheme I: 11.70 p.c., Schemes II & III: 11.64 p.c. Reference rate for period August 31, 1991 to September 30, 1991, Scheme IV&V: 10.351 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1, 1991: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7 per cent; one-three months 9½ per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-twelve months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991, Deposits withdrawn for cash 5 per cent.

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
105	-	-	-	0.10	0.41	-
106	1.37	1.87	-	0.23	0.68	-
107	0.70	1.26	-	0.53	-	-
108	0.30	0.80	-	1.12	-	-
Open Int	102,266	46,765	2,320	82,939	39,940	8,573

Estimated volume 20,022 Total Open Interest 282,803

BASE LENDING RATES

	%		%		%
Adam & Company	10.5	Credit Lyonnais	10.5	Midland Bank	10.5
Allied Trust Bank	10.5	Cyprus Popular Bk	10.5	Mount Banking	10.5
AIB Bank	10.5	Dunbar Bank PLC	10.5	NatWestminster	10.5
● Henry Ansbacher	10.5	Duncan Lawrie	10.5	Northern Bank Ltd	10.5
B & C Merchant Bank	10.5	Equatorial Bank plc	10.5	Nykredit Mortgage Bank	11
Bank of Baroda	10.5	Exeter Bank Limited	11	Provincial Bank PLC	14
Banco Bilbao Vizcaya	10.5	Financial & Gen. Bank	11	Roxburghe Bank Ltd.	11.5
Bank of Cyprus	10.5	First National Bank Plc.	14	Royal Bk of Scotland	10.5
Bank of Ireland	10.5	● Robert Fleming & Co.	10.5	● Smith & Williamson Secs.	10.5
Bank of India	10.5	Robert Fraser & Ptnrs.	11	Standard Chartered	10.5
Bank of Scotland	10.5	Girobank	10.5	TSB	10.5
Banque Belge Ltd	10.5	● Guinness Mahon	10.5	Udibank plc	10.5
Barclays Bank	10.5	● Hambros Bank	10.5	● United Bk of Kuwait	10.5
Benchmark Bank	11	Hampshire Trust Plc	13.5	Unity Trust Bank Plc	10.5
Brit Bk of Mid East	10.5	Heritable & Gen Inv Bnk.	10.5	Western Trust	10.5
● Brown Shipley	10.5	● Hill Samuel	10.5	Westpac Bank Corp.	10.5
CL Bank Nederland	10.5	C. Hoare & Co.	10.5	Whiteaway Laidlaw	10.5
Citibank NA	10.5	Hongkong & Shanghai	10.5	Yorkshire Bank	10.5
City Merchants Bank	10.5	● Leopold Joseph & Sons	10.5		
Clydesdale Bank	10.5	Lloyds Bank	10.5		
Co-operative Bank	10.5	Meghraj Bank Ltd	10.5		
Coutts & Co	10.5	McDonnell Douglas Bnk.	10.5		

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKET FUNDS

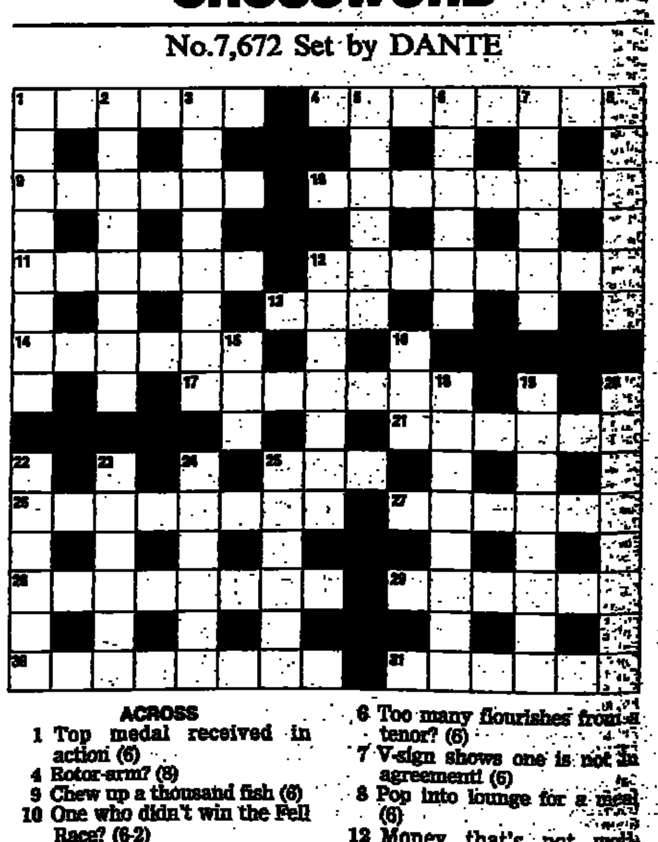
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,672 Set by DANTE



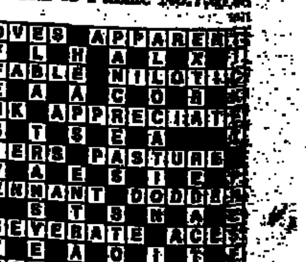
ACROSS

1 Top medal received in action (6)
4 Rotor-arm? (8)
9 Chew up a thousand fish (6)
10 One who didn't win the Fell Race? (6-2)
11 Render an account for the marriage guidance organisation (6)
12 Don't see so much that's immaculate (8)
13 Doubly musical (3)
14 Peers squeal when excited (6)
17 Recoiling from drugs? (7)
21 Happen to get increased yield (4,2)
25 Words of wisdom with a bite (3)
26 Plea for a two-point pact? (8)
27 Disloyal unit I left with regret (6)
28, 30 You'd recognise it at a glance, like Pygmalion's statue (8,8)
29 Worst cry of pain to give (6)
30 See 28
31 Payday for a servant? (6)

DOWN

1 Maugham's London house (8)
2 His wife went to Paris, causing strife (8)
3 The converse of indolence (4,4)
5 Sallies follow a direction to arms (6)
6 Too many flourishes from a tenor? (6)
7 V-sign shows one is not in agreement! (6)
8 Pop into lounge for a meal (6)
12 Money that's not well earned (4-3)
15 An officer's entitlement? (3)
16 Business contracted in America (3)
18 New garden city of splendour (8)
19 Animated by pride — it's not right (8)
20 Wade about in a Scottish river for sport (8)
22 Container ship? (6)
23 Sprint for the line (6)
24 Give the call sign (6)
25 Attacks a pop group (6)

Solution to Puzzle No.7,671



WORLD STOCK MARKETS

AUSTRIA

October 14	Sch	+ or −
Austrian Airlines	2,380	−80
Creditanstalt	501	−1
EA General	3,080	−45
EVN	825	−17
Jungbunzlauer	9,950	+200
OeMV	958	−19
Perlmooser Zement	1,635	−65
Radex Heraklith	551	−59
Reininghaus Brue	1,750	...
Steyr Daimler	306	−12
Veitscher Magnesit	338	−29
Verbund (Br) A	498	+1
Wienerberger	5,100	−130
Z-Laenderbank	948	...

BELGIUM/LUXEMBOURG

October 14	Frs.	+ or −
ACEC-Union Min	1,925	−25
Arbed	4,280	−20
BBL	2,800	...
Bank Intl a Lux	10,900	...
Banq Gen Lux Pts	12,200	−50
Barco	984	+28
Bekaert	9,500	−60
CBR Ciment	7,830	−140
Cobepa	4,940	−50
Cobepa AFV 1	4,900	...
Cockerill Priv	161	−1
Colruyt	3,960xd	+60
Delhaize Frs Lion	7,700	+10
Electrabel	4,565	−10
Electrabel AFV	4,550	...
Electrafina ACT	2,745	−5
Fabrique Nat	74	−1
GBL	3,260	

FRANCE (continued)

October 14	Frs.
Beghin-Say	611
Beghin-Say Cert Inv	441
Bongrain	2,390
Bouygues	596
CGIP	1,002
CM B Packaging	143.10
Canal+	1,041
Cap Gemini S	297
Carrefour	2,025
Casino	148.10
Cetelem	620
Chargeurs	946
Club Mediterranee	446.80
Cogifi	350
Coparex	590
CCF	172.80
Cr Fonc France	1,055
Cred Lyon (CI)	540
Credit Nationale	1,190
Damart	2,021
Docks de France	355
Dollfus Mieg Cie	330
EBF	740
Eaux Cie Genl	2,395
Ecco	361
Elf-Aquitaine	407
Elf-Aquitaine Certs	282
Essilor Intl	329.50
Eurafrance	1,540
Eurocom	663
Euro Disney	138.50
Exor	1,101
Finextel	127.10
Fonc Lyonnaise	601
From Cet Ass	2,470
GTM-Entrepose	389.50

INDICES

NEW YORK

DOW JONES	Oct 14	Oct 11	Oct 10	Oct 9	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
φIndustrials	3019.45	2983.68	2976.52	2946.33	3055.23 (28/8)	2470.30 (9/1)	3055.23 (28/8/91)	41.22 (2/7/32)
Home Bonds	97.10	97.03	97.06	97.13	97.30 (4/10)	91.30 (16/1)	97.30 (4/10/91)	54.99 (1/10/81)
Transport	1240.28	1217.12	1206.46	1182.92	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	213.95	211.82	211.00	211.50	220.89 (16/4)	195.17 (10/7)	236.23 (2/1/90)	10.50 (8/4/32)

φDay's High (a) (3000.89) Low (a) (2957.51)

STANDARD AND POOR'S

	Oct 14	Oct 11	Oct 10	Oct 9	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	386.47	381.45	380.55	376.80	396.64 (28/8)	311.49 (9/1)	396.64 (28/8/91)	4.40 (1/6/32)
Industrials	456.78	450.58	449.59	445.37	472.01 (29/8)	364.90 (9/1)	472.01 (29/8/91)	3.62 (21/6/32)
Financial	31.18	30.77	30.57	30.11	32.24 (14/8)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	212.57	210.07	209.55	207.95	217.17 (28/8)	170.97 (9/1)	217.17 (28/8/91)	4.46 (25/4/42)
Amex Mkt. Value	372.66	369.66	368.59	368.51	374.95 (1/10)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	525.66	519.05	515.94	513.81	528.51 (1/10)	355.75 (14/1)	528.51 (1/10/91)	54.87 (31/10/72)

	Oct 11	Oct 4	Sep 27	year ago (approx.)
Dow Industrial Div. Yield	3.10	3.12	3.08	4.23

	Oct 9	Oct 2	Sep 25	year ago (approx.)
S & P Industrial div. yield	3.24	2.74	2.73	3.56
S & P Indl. P/E ratio	20.53	21.14	21.14	14.28

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
West Elect	2,012,900	17¾	- ⅝
Advanced Micro	1,959,300	11	+ ⅛
MPS Intern	1,895,900	8¼	+ ⅛
Natl Semcndtrs	1,477,200	5⅛	+ ⅝
Amer T & T	1,444,700	37⅝	+ ¼
RJR Nabisco	1,322,900	10½	+ ⅛
Computer Assoc	1,278,100	8	+ ⅛
KLM Air	1,232,500	19¼	+ ⅝
Argentina	1,231,900	16	+ 2⅞
Telefonos	1,202,500	42½	+ 1

TRADING ACTIVITY

† Volume (Millions)	Oct 14	Oct 11	Oct 10
New York SE	127.945	146.560	164.120
Amex	9.195	9.839	12.006
NASDAQ	(u)	145.013	166.802
NYSE			
Issues Traded	2,064	2,088	2,076
Rises	1,089	928	796
Falls	469	627	722
Unchanged	506	533	558
New Highs	89	68	51
New Lows	8	12	22

CANADA

TORONTO	Oct 14	Oct 11	Oct 10	Oct 9	1991 HIGH	1991 LOW
Metals & Minerals	(c)	2872.64	2806.51	2774.29	3299.99 (18/7)	2632.06 (9/1)
Composite	(c)	3375.43	3345.08	3339.50	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	(c)	1798.78	1781.72	1772.41	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Oct 14	Oct 11	Oct 10	Oct 9	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1563.8	1555.3	1556.1	1571.2	1591.3 (7/8)	1294.5 (16/1)
All Mining (1/1/80)	624.9	616.3	616.8	626.0	707.2 (24/7)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	416.99	429.56	432.44	437.32	534.81 (16/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1104.79	1109.58	1104.22	1099.35	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	357.88	357.78	357.11	357.41	380.04 (2/8)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	854.0	853.9	851.6	851.1	1136.9 (8/4)	843.3 (2/10)
FRANCE						
CAC General (31/12/82)	487.47	490.75	488.95	490.68	497.62 (2/10)	394.88 (15/1)
CAC 40 (31/12/87)	1835.98	1833.82	1843.64	1843.43	1887.29 (1/10)	1425.26 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	647.13	647.46	643.87	650.56	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1817.8	1820.0	1809.2	1827.5	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1571.04	1568.42	1567.95	1567.22	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	4022.21	4017.98	4056.22	4076.38	4093.41 (3/10)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1422.10	1423.58	1416.81	1414.70	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	(u)	(u)	524.16	529.77	619.38 (3/6)	[illegible] (29/1)
JAPAN						
Nikkei (16/5/49)	23860.67	24157.72	(c)	24485.26	27146.91 (18/3)	21456.76 (19/8)
Tokyo SE (Topix) (4/1/68)	1835.59	1853.33	(c)	1880.75	2028.85 (18/3)	1625.88 (17/1)
2nd Section (4/1/68)	2847.23	2858.86	(c)	2865.35	3423.45 (18/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	518.80	510.36	507.37	508.22	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	276.9	274.8	273.8	275.4	284.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	194.8	193.3	192.5	193.8	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	710.48	726.96	732.03	735.83	793.53 (26/8)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1009.15	978.81	968.07	982.51	1183.40 (29/5)	582.64 (18/1)
SINGAPORE						
SES All-Singapore (2/4/75)	377.00	372.21	367.82	369.29	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1192.0&	1171.0	(c)	1173.0	1469.0 (5/7)	971.0 (25/2)
JSE Industrial (28/9/78)	4056.0&	4052.0	(c)	4048.0	4237.0 (10/9)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	703.81	708.30	715.41	709.38	763.10 (6/8)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	263.06	265.04	266.36	266.58	289.22 (18/3)	213.70 (14/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	986.9	999.9	999.7	1004.5	1149.8 (11/7)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	742.7	742.8	740.2	742.9	769.2 (29/8)	598.4 (14/1)
SBC General (1/4/87)	609.0	609.4	607.5	610.7	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	4554.50	4813.20	(c)	4825.48	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	(c)	639.08	644.60	634.76	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	514.3*	514.8	514.0*	511.7	529.2 (17/4)	439.1 (16/1)

**Saturday October 12: Taiwan Weighted Price: 4823.67. Korea Comp Ex. 701.99
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

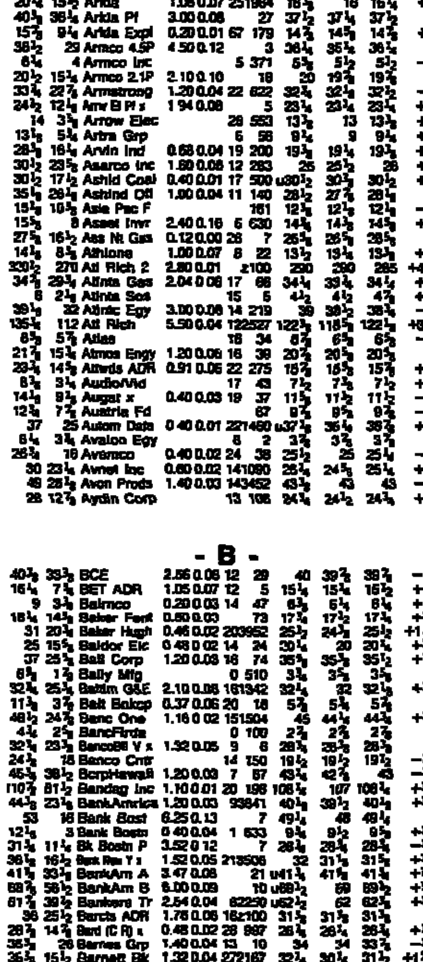
TOKYO - Most Active Stocks
Monday, 14 October, 1991

	Stocks Traded	Closing Prices	Change on day
Japan St Batt	5.6m	972	+44
Meiji Seika	2.9m	1,160	-
Penta-Ocean	2.6m	988	-42
Sumitomo Metal	2.4m	422	-5
Nissan Chem	2.2m	922	-24
Osaka Gas	2.2m	596	+1
Meiji Milk	2.2m	802	+8
C. Itoh	1.8m	711	-12
Nippon Steel	1.7m	420	+2
Nippon Mining	1.7m	594	-6

4:00 pm prices October 14

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
16⅞	9¼	AAR Corp	0.48	0.04	17	256	12⅝	12⅜	12½	
18¾	14½	A L Labs A	0.16	0.01	20	135	18⅝	18	18⅛	
55¾	40⅞	AMP Inc	1.44	0.03	18	2793	48¾	47⅝	47⅞	-⅛
68⅞	44¼	AMR				114023	60⅞	58⅛	60⅜	+2½
2⅝	1	ARX			1	12	1½	1⅜	1⅜	-⅛
58	41½	ASA	3.50	0.07	13	157	47⅝	47	47	-¾
65⅛	39¼	Abbott Lab x	1.00	0.02	22	3400	54¾	53⅞	54½	+1
14⅝	9⅞	Abitibi Pr x	0.50	0.04	23	5	12⅞	12⅞	12⅞	
11⅝	10⅞	ACM Gvt In x	1.28	0.11		450	11½	11⅜	11½	
9⅜	8⅜	ACM GvOpp x	1.01	0.10		86	u9⅜	9⅝	9⅜	+⅛
9½	8¼	ACM Gvt Sp x	1.01	0.11		328	u9½	9⅜	9⅜	-⅛
11	9⅞	ACM Gvt Se	1.26	0.12		242	10⅞	10¾	10⅞	
9	7⅝	ACM Man x	1.01	0.11		579	u9	8⅞	8⅞	-⅛
12⅞	11½	ACM Mngd x	1.35	0.11		88	12¾	12⅝	12⅝	-⅛
7½	4¾	Acme Cleve x	0.40	0.06	16	30	6¼	6⅛	6⅛	-⅛
6	3⅞	Acme Elect			2	91	4¼	4	4¼	
40	22¾	Acuson			23	536	34½	33¾	34⅜	+⅜
19⅛	14¼	Adams Expr	0.73	0.04	0	72	u19⅛	18	19	-⅛
20⅛	17½	Adobe12Pf	2.40	0.12		z100	19¾	19¾	19⅝	
9⅞	6⅝	Adobe Res			50	224	7½	7	7½	+½
38⅞	18	Ad Micro				543	33¼	32⅜	33¼	+1
14⅞	4⅝	Ad Micro P	3.00	0.27	18	1582	11⅝	10⅞	11⅝	+⅝
5⅛	2⅝	Advest Grp	0.16	0.04	5	62	3⅞	3½	3½	-⅛
49⅞	31⅞	Aetna Lf x	2.76	0.08	7	1183	34⅞	34⅜	34⅝	+⅛
10⅝	6⅝	Afill A	0.24	0.03	43	1110	7⅞	7⅝	7⅞	+⅛
20⅞	12	Ahmanson	0.88	0.05	10	2036	16½	16⅜	16½	
15⅞	2⅞	Aileen Inc			16	1254	u16⅛	15⅛	15⅞	
74⅛	51⅞	Air Pr Chm x	1.56	0.02	15	1000	69⅞	68⅛	69⅞	+1⅛



هكذا من الأصل

Continued on next page

هكذا منه الأصل

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25⅝	22¼	RoyBkScot	2.81	0.11		34	25¼	26⅛	25¼	
84¼	73⅜	RylDutch	4.23	0.05		104481	81¼	80⅝	81	+⅛
11	7½	Royce Val				130	8⅞	8¾	8⅞	+⅛
59¼	37	Rubbermaid	0.60	0.01	29	325	56	55¼	56	+1
18⅛	13½	Ruddick	0.39	0.02	13	83	16⅝	16½	16¼	
18¼	13	RussBerrie	0.60	0.04	13	43	16⅛	15¾	16⅛	+¼
7⅛	2¼	Russ Togs	0.20	0.08	0	76	2⅝	2½	2½	
30⅝	19¼	Russell Cp	0.32	0.01	22	604	28½	27¼	27⅝	-⅞
21⅞	14	Ryder Syst	0.60	0.03	27	1198	19¼	18⅞	19	+⅛
25¼	13¾	Ryland Grp x	0.60	0.03	35	2	22	22	22	

\- S -

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
26⅞	20⅝	S Atlis Rt x	2.08	0.09	18	98	23¼	22⅞	22⅞	-⅛
16½	11½	SCOR US Cp	0.24	0.02	9	10	15½	15⅜	15½	+¼
37	20¾	SPS Techno	1.28	0.05	11	40	23⅝	23¼	23⅝	+¼
2⅛	¾	SaatchiAS	0.19	0.23	0	213				
13	11	Sabine Rt x	1.18	0.09	7	102	12⅝	12¼	12⅝	+⅛
9⅝	5⅞	Salecard	0.16	0.02	7	123	8½	8⅜	8½	+⅛
13⅞	6⅝	Safeg'd Sc			3	17	12⅛	11¾	12⅛	+⅜
37	25	SafetyKln	0.32	0.01	28	1689	27	26½	27	+⅛
21⅝	11⅞	Safeway			14	437	18⅝	18¼	18½	+⅛
4⅞	2⅛	SafewayWS8				41	4¼	4	4¼	+⅛
35⅞	26⅞	StJoePaper	0.20	0.01	35	4	32⅛	32⅛	32⅛	
34¼	26⅞	StJoeL&P x	1.66	0.05	11	8	32	31¾	32	+⅛
4¼	1½	Salant Crp			0	14	3	3	3	
63¾	43⅝	Sallie Mae	0.80	0.01	18	670	59¼	58¼	59⅛	+⅞
13⅝	10⅝	Salomon Br	0.60	0.04		530	u13⅝	13⅛	13⅝	+⅛
37	20¾	Salomoninc	0.64	0.03		03710	24⅝	24	24½	+⅛
45¼	37⅛	SanDgo G&E	2.80	0.06	12	195	43	42⅝	43	+½

\- X - Y - Z -

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
62⅛	35¼	Xerox	3.00	0.05		101470	60⅞	59¼	60⅞	+1⅝
51½	43¼	Xerox4 125				15	50½	50¼	50¼	
23¾	14⅛	Xtra 1.94				30	u23¾	23½	23¾	+¼
27¾	14¼	Xtra Corp	0.72	0.03	87	14	28⅜	26	28⅜	+⅛
26	21⅛	Yankee Egy	1.60	0.06	12	60	25⅝	25⅛	25⅛	-⅛
1½		Zapata			2	604				
9⅜	5¼	ZenithElec			1	202	5⅝	5½	5½	-⅛
18½	12	Zenith Nat x	1.00	0.06	94	11	15¾	15⅝	16	
6⅛	4½	Zenix Inc	0.84	0.13		24	u6⅛	6⅛	6⅛	
15⅛	10⅞	Zero Corp	0.40	0.03	15	100	13	12⅞	13	
41⅜	29½	Zurn Ind	0.88	0.02	14	191	35⅝	34¾	35½	+⅛
13½	10¼	Zweig Fund x	1.16	0.09		143	12¾	12⅝	12¾	+⅛
10⅝	8½	Zweig Tot! x	0.96	0.09		370	10¼	10⅛	10⅛	-⅛

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full

AMEX COMPOSITE PRICES

4:00 pm prices October 14

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G		7	61	11⅞	11¼	11⅞	+⅛
Perini		6	11	9⅜	9⅜	9⅜	
Pet HI&P	0.31	12	6	10⅜	10¼	10⅜	
Phil LD	0.17	10	1468	u26⅛	23⅞	24⅞	+2⅛
Pitney A x	1.10	10	30	24¼	24⅛	24¼	+¼
Ply Gem	0.12	154	6	7¾	7¾	7¾	
PMC x	0.58		5	8⅝	8⅝	8⅝	
PresidioA	0.10	2	5	3⅝	3⅝	3⅝	
Price Com		0	11	¼	¼	¼	

NASDAQ NATIONAL MARKET

4:00 pm prices October 14

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Yellow Fr	0.94	16	382	30⅛	29¾	30	-⅛
York Rsch		66	384	7½	6⅝	6⅞	-⅛
ZionUtah x	1.44	9	z100	45¾	44½	44½	

AMERICA

Dow returns above 3,000 in optimistic trade

Wall Street

SHARE PRICES rose sharply in light trading yesterday in a stock market subdued by the absence of many dealers and investors for the Columbus Day holiday, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was up 35.77 at 3,019.45 – the first time the index has passed the 3,000 level since October 2. The more broadly based Standard & Poor's 500 was also firmer, up 5.02 at 386.47, while the Nasdaq composite of over-the-counter stocks, aided by strong demand for technology issues, jumped 6.61 to 525.66. Volume on the New York Stock Exchange was exceptionally light at 131m shares.

The market participants who chose to stay at work yesterday were steady buyers of stock all day and, in an unusually lightly traded market, the impact of the buying on the main indices was exaggerated. Although there was no specific news behind the demand, hopes that the Federal Reserve will cut interest rates soon – possibly even today when the bond markets re-open – kept sentiment buoyant.

Among individual issues, USAir rose $1⅛ to $9½ in active trading on hopes that talks between the company's management and the unions would produce an agreement soon.

The airline is seeking pay, healthcare and pension cuts from its employees as part of a rigorous cost-cutting programme that will reduce overall staff levels by 10 per cent by the end of next year.

Yesterday USAir also announced big third quarter losses, including a charge against earnings, and warned of a full-year loss of more than $500m.

Other airline stocks were buoyant in the wake of the USAir news. United Airlines added $3⅛ at $127⅞. Delta put on $1⅞ to $67¾ and AMR, parent group of American Airlines, climbed $2⅛ to $60¾.

Primerica rose $⅝ to $34⅞ on news of a 31 per cent jump in third quarter profits to $123.5m, thanks partly to record profits of $35.9m at the financial services group's stockbroking subsidiary, Smith Barney.

Other broking house stocks were mostly firmer, with PaineWebber up $¾ at $24½, Merrill Lynch, $1½ higher at $48⅛, and Salomon $⅝ better at $24⅛. Salomon will announce a third quarter charge later this month to cover costs linked to the recent scandal surrounding its illegal activities in the bond markets.

Great Lakes Chemical jumped $10⅞ to $96⅞ after the company said it planned to buy the 36.7 per cent stake in Octel at present owned by Shell of the UK for $138m.

NCNB, the large regional banking group, rose $1⅞ to stand at $36⅛ on news of a big jump in third quarter net income to $131m, up from $56.9m a year ago.

Westinghouse Electric continued to suffer from last week's announcement of a big third quarter charge to cover restructuring costs. Yesterday it lost another $⅜ to $17¼ on volume of 1.4m shares.

The impact of restructuring charges was also felt on several other stocks. Genrad fell $⅞ to $2¾ after the company warned it would report a third quarter loss of $29m to $30m because of restructuring charges.

● Canada was shut yesterday for Thanksgiving.

SOUTH AFRICA

JOHANNESBURG gold share prices firmed yesterday, but ended off their day's highs in response to a slight retreat in world bullion prices below the $360 level.

The all-gold index went as high as 1,200 before ending 21 up at 1,192. Vaal Reefs closed R2.50 firmer at R210, after touching R212 earlier in the day.

Elsewhere, the industrial index rose 4 to 4,056 and the all-share index added 11 to close at 3,374.

ASIA PACIFIC

Nikkei falls below 24,000 before brokers' suspension

Tokyo

SHARE PRICES retreated yesterday in thin activity, in spite of a higher yen and lower bond yields. Investors refrained from trading ahead of the business suspension of the Big Four securities houses which starts today, *writes Emiko Terazono in Tokyo.*

The Nikkei average closed 297.05 down at the day's low of 23,860.67, falling below the psychological support level of 24,000 for the first time since October 1. The index hit the session's high of 24,234.78 in the morning.

Volume fell to 200m shares from Friday's 250m. The only activity of any note was light index-linked trading by arbitrageurs. Losses overwhelmed gains by 702 to 241, with 173 issues unchanged. The Topix index of all first section stocks lost 17.74 to 1,835.59, but in London the ISE/Nikkei 50 index put on 2.15 to 1,394.24.

The Nikkei rose in the morning on arbitrage-related buying as the yen strengthened against the dollar and bond yields eased. The yen closed at Y129.05 to the dollar, up Y0.80, on the Group of Seven communiqué announced at the weekend. This implied support from the leading industrialised countries for a higher yen, with the aim of reducing Japan's growing trade surplus.

Lethargy spread, however, as investors became cautious about the possible negative effect of the business suspensions of the Big Four brokerages – Nomura, Daiwa, Nikko and Yamaichi. Mr Nick Cant at Baring Securities said the business suspensions, starting today, had a significant effect on sentiment. "There was no attempt to start a rally around a sectoral theme," he added.

Export-oriented electrical stocks were weak on the higher yen. NEC receded Y30 to Y1,250 and Sony Y80 to Y5,100.

Interest rate-sensitive stocks fell on selling by investors who had been hoping for a discount rate cut. Reports at the weekend indicated that the Bank of Japan would ease credit by other means, such as a decline in short-term market rates, rather than an official discount rate cut. Mitsubishi Heavy Industries shed Y5 to Y720.

Japan Storage Battery, the most active issue of the day, jumped Y44 to Y972 on reports of the government's backing for the car industry's plan to make 200,000 electric vehicles annually by the year 2000.

In Osaka, the OSE average slipped 241.95 to 26,275.60 in volume of 10.4m shares. Exporters such as electrical machinery makers fell heavily. Nintendo, the video game maker, lost Y200 to Y13,500.

Roundup

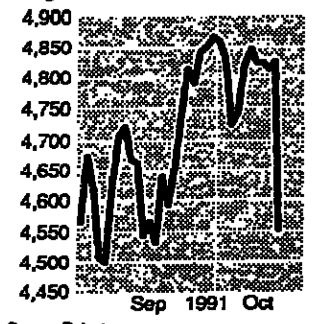
POLITICAL events or rumours pushed Taiwan sharply lower, but helped to lift Manila yesterday. Most other markets were firm.

TAIWAN dropped 5.6 per cent after a demand by the opposition party that the island declare its independence and abandon its target of reunification with China. The weighted index fell 269.17 to 4,554.50 as turnover grew to T$25bn from Saturday's T$8bn.

Investors were worried that the demand could lead to a government crackdown on opponents and provoke retaliation by mainland China. There were fears that political instability could trigger an outflow of capital.

Taiwan

Weighted index



Source: Datastream

MANILA rose 3.1 per cent in brisk trading, led by Philippine Long Distance Telephone, up 47.50 pesos at 610 pesos after rising in the US on Friday.

The market was also lifted by rumours that the renegade Colonel Gregorio "Gringo" Honasan and his top soldiers were about to surrender, reducing fears of a coup attempt. The composite index forged ahead 30.34 to 1,009.15.

SINGAPORE put on 1.7 per cent on bargain hunting and short-covering. The Straits Times Industrial index gained 22.66 to 1,375.03 in volume of 58m shares, up from 43m. Bargain hunting also lifted KUALA LUMPUR by 1.7 per cent. The composite index rallied 8.44 to 518.80 as volume picked up to 39m shares from 24m.

AUSTRALIA was lifted by a drop in bond yields. The yield on the 10-year bonds was quoted late yesterday at 9.94 per cent. The All Ordinaries index climbed 8.4 to 1,563.7 in turnover of A$246m (A$211m).

NEW ZEALAND eased in quiet trading, but the drop was exaggerated by Fletcher Challenge going ex-dividend. Allowing for the dividend payment of 15.5 cents, Fletcher closed 6.5 cents lower at NZ$3.09.

The NZSE-40 index, which is not adjusted for dividend payments, closed 24.13 down at 1,425.99 in low turnover of NZ$11.3m, after NZ$22.9m.

BOMBAY lost 2 per cent as higher carry-forward charges for business done in the two weeks to last Friday led to liquidation of positions. The BSE index declined 35.20 to 1,729.39.

BANQUE INDOSUEZ Luxembourg has become the first foreign investor to purchase shares directly on the Seoul stock market, according to a senior executive of Ssangyong Investment and Securities, Reuter reports from Seoul. The executive said that Banque Indosuez had opened an account with Ssangyong on October 9.

Banque Indosuez bought 53,380 shares, worth Won530m ($700,000), in Korea Long-Term Credit, Korea Mobile Telecommunications and Lotte Confectionery. From October 1, foreigners have been allowed to buy shares with the proceeds of the sale of convertible bonds.

Yesterday, the Seoul composite index rose 1.82 to 703.81 in modest turnover of Won274bn, up from Won199bn. Trading and construction shares moved higher on reports about impending talks between North and South Korea.

EUROPE

Scandinavia slides as banking fears are confirmed

SCANDINAVIA slid yesterday as more bad news emerged from the banking sector, *writes Our Markets Staff.*

OSLO tumbled almost 3 per cent to an eight-month low as Christiania Bank, the country's second biggest bank, said that heavy losses in the third quarter had wiped out its private share capital, making the shares worthless. The shares were suspended before trading began. Its A shares closed at NKr7 on Friday.

The all-share index plunged 12.86 to 460.20 in thin turnover worth NKr190m. Den norske Bank, Norway's biggest bank, saw its A shares tumble NKr6.5 or 27 per cent to NKr17.5.

STOCKHOLM fell for the sixth consecutive day on pessimism about the economy. The Affärsvärlden General index lost 13.0 or 1.4 per cent to 986.9, its lowest level since February 15, as volume slipped to SKr325m from SKr408m.

Banking shares weakened ahead of SE-Banken's eight-month results, due on Thursday. SE-Banken restricted A shares fell SKr2.5 to SKr53.5.

Gota restricted A shares fell SKr8 to SKr60 after Mr Gabriel Urwitz, its managing director, said that the bank would not make a profit for the full year.

PARIS remained trapped within a narrow trading range of about 20 points. The CAC 40 index closed 4.28 lower at 1,829.54 in moderate turnover after Friday's FFr1.9bn.

Sextant Avionique, the aeronautical equipment company, shed another FFr29.60 or 9.7 per cent to close at FFr275, recovering from a day's low of FFr262.50. It had dropped FFr70.40 on Friday after announcing first-half results. Sextant's parent company, Thomson-CSF, eased FFr1.30 to FFr143.70 in volume of 172,900 shares, after reporting a 5.6 per cent rise in half-year net.

Agence Havas, the media group, which fell FFr13 on Friday, reached a day's low of FFr440 before closing FFr8 down at FFr447 in 126,025 shares. After the close, it reported a 5.6 fall in first-half net and forecast a slight fall for the full year.

Some of the Havas subsidiaries reported first-half results during trading. Eurocom lost FFr11 to FFr663 after announcing unchanged profits and CEP Communication fell FFr9.50 to FFr410.50 after saying that earnings had halved.

AMSTERDAM overcame a weak start to close higher on short-covering and activity ahead of the options expiry later this week. The CBS Tendency index added 0.80 to 89.5 in light turnover of Fl 370m.

In the transport sector, KLM added Fl 1.10 to Fl 35.60 before its second quarter results, due on November 7, which are expected to please the market. The stock has also attracted US demand in recent sessions.

Financials also moved, as investors were attracted by their high yields. Internationale Nederlanden added 70 cents to Fl 47.40.

The property fund, Rodamco, added Fl 1.90 to Fl 55.80 following Friday's late news of an international property venture planned by its parent company, Robeco, with the Dutch civil service pension fund, ABP.

FRANKFURT featured higher construction and retail stocks, and a flurry in the tyremaker, Continental. In a generally dull market, the DAX index closed 2.62 higher at 1,571.04 after an 0.33 fall to 647.13 in the FAZ at midsession. Volume fell to DM2.6bn from DM4bn.

Conti put on DM7.50 to DM198.50 as talk returned to the company's co-operation talks with Pirelli SpA of Italy.

In constructions, Hochtief and Holzmann each rose DM25, to DM1,165 and DM1,185 respectively, after last week's news that east German construction orders in the third quarter had risen by nearly 80 per cent from the second quarter level.

Retailers were generally strong, Karstadt leading with a DM6 rise to DM610, encouraged by strong October sales indications.

MADRID slipped in light trading. The general index fell 1.45 to 263.06 in turnover of about Pta7bn, down from Pta12bn. Investors were not encouraged by news of a 0.8 per cent rise in September inflation, broadly in line with expectations, or yesterday's money supply figures.

Pryca, the hypermarket group which was listed last week at a reference price of 1,000, gained 42 points to 1,498 in lively pit trading.

ZURICH saw a fall of SFr110 to SFr2,900 in Elvia registered shares, after a low of SFr2,830 on Friday's news that Swiss Re had taken a majority stake, thus blocking any takeover battle. The Crédit Suisse index fell 1.9 to 506.2.

MILAN was blocked for a second day by a strike by floor traders protesting against possible job losses as a result of stock market reforms. But they will allow the exchange to open between 0745 and 0845 GMT tomorrow for brokers to complete the closing of the October account.

FT-SE Eurotrack 100 - Oct 14

Hourly changes

Open	11 am	Noon	1 pm	2 pm	3 pm	4 pm	Close
1087.02	1087.44	1087.27	1087.84	1088.13	1087.86	1088.13	1088.51

Day's High 1089.20 Day's Low 1087.00

Oct 11	Oct 10	Oct 9	Oct 8	Oct 7
1088.47	1086.32	1088.95	1093.53	1092.53

Politics breaks uptrend in Japan and UK

By William Cochrane

POLITICAL events broke strong uptrends in Japan and the UK last week. There was a general lack of interest in continental Europe, contributing to a 0.9 per cent fall in local currency terms in the FT-Actuaries World Index.

Tokyo digested the news that Mr Toshiki Kaifu, the Japanese prime minister, had decided not to run in the Liberal Democratic Party's leadership election. It fell further as the Ministry of Finance put punitive restrictions on the Big Four securities houses.

The declines came in thin volume; the market's momentum was curtailed further by a holiday last Thursday; and the suspension of securities house business, effective from today, implied a further reduction in activity, which could magnify the effects of the potential Y1 trillion ($7.7bn) of individual margin positions due to be closed this month.

In the UK, sterling trembled in the week of a Conservative party conference which gave the party faithful and business establishment less hope of a general election victory than the Labour party had given to its supporters a week earlier.

Pundits say the Tories delayed the general election until next year because they knew they could not win this autumn. Foreigners, particularly Americans, sold UK equities in a small way. The market was also softer because of an impending rights issue overhang of £1bn ($1.7bn); next month will also see the sale of the second tranche of BT.

Austria saw the worst fall of the week, losing 4.9 per cent in thin volume. Mr Andrew Thomson of Kleinwort Benson says the bourse was weighed down by the conflict in Yugoslavia and the weakness of the new Z-LB stock, issued to replace Länderbank's preferred shares and participation certificates after its merger with Zentralsparkasse.

The best rise of the week came from Mexico which, says Mr Tony Ewell of Bear Stearns, had seen a fallow period in September and early October while investors made room in their portfolios for new issues.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1991	Start of 1991	Start of 1991
Austria	−4.85	−7.65	−0.67	−2.75	−3.55	−13.56
Belgium	+1.24	−0.50	+8.25	+10.68	+10.33	−1.70
Denmark	−0.93	−2.93	+12.63	+20.92	+20.22	+7.11
Finland	−0.62	−10.56	−4.89	−6.60	−8.29	−18.30
France	−0.95	−2.12	+18.09	+19.67	+18.43	+5.52
Germany	−2.00	−4.68	+5.07	+6.93	+6.04	−5.53
Ireland	−0.36	−3.11	+15.92	+18.73	+18.30	+5.40
Italy	−2.91	−4.30	−8.24	−0.73	−0.75	−11.57
Netherlands	−0.26	−2.58	+15.00	+16.18	+15.22	+2.66
Norway	−1.34	−5.85	−11.92	+5.41	+5.05	−6.41
Spain	−0.04	−1.59	+23.67	+20.11	+20.50	+7.35
Sweden	−1.77	−8.34	+10.64	+24.93	+27.88	+13.94
Switzerland	−0.71	−2.53	+16.92	+20.98	+16.74	+4.01
UK	−2.57	−2.98	+22.10	+19.35	+19.35	+6.34
EUROPE	−1.80	−3.14	+15.67	+15.69	+15.09	+2.53
Australia	−2.16	−1.04	+19.31	+23.10	+42.68	+27.13
Hong Kong	−1.40	+0.29	+41.23	+35.39	+53.09	+36 39
Japan	−1.46	+3.90	+14.49	+8.28	+27.07	+13.20
Malaysia	+0.13	−5.64	+5.66	−7.37	+2.26	−8.90
New Zealand	−0.14	+1.66	−5.40	+10.81	+19.83	+6.73
Singapore	−0.90	−5.42	+24.04	+14.69	+32.19	+17.78
Canada	+0.26	−1.43	+7.50	+1.49	+17.04	+4.28
USA	+0.02	−0.41	+30.16	+16.25	+30.48	+16.25
Mexico	+5.15	+2.76	+160.99	+122.60	+140.95	+114.68
South Africa	−0.80	−1.19	+25.74	+23.69	+51.61	+35.08
WORLD INDEX	−0.94	+0.23	+20.44	+13.68	+25.66	+11.96

† Based on October 11th 1991. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY OCTOBER 14 1991								FRIDAY OCTOBER 11 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (69)	151.68	+1.1	131.01	124.02	134.02	126.15	+0.7	4.82	150.08	129.40	123.09	132.06	125.32	153.54	112.74	123.49
Austria (20)	164.14	−2.9	141.78	134.21	145.03	144.75	−2.7	1.97	168.98	145.70	138.60	148.69	148.77	222.37	154.82	199.14
Belgium (47)	128.53	−1.1	111.02	105.08	113.56	110.78	−0.8	5.35	129.97	112.06	106.59	114.36	111.70	151.20	118.04	134.72
Canada (114)	135.59	+0.0	117.11	110.86	119.79	110.90	+0.0	3.42	135.59	116.91	111.20	119.30	110.90	142.27	126.49	122.76
Denmark (37)	248.74	−0.2	214.84	203.38	219.78	221.00	+0.0	1.59	249.17	214.84	204.37	219.25	221.05	270.56	217.74	249.76
Finland (15)	84.65	+0.4	73.11	69.21	74.79	73.36	+0.1	3.32	84.27	72.66	69.12	74.15	73.28	125.15	84.06	101.18
France (109)	138.40	−0.4	119.54	113.16	122.28	125.70	−0.1	3.53	139.02	119.86	114.01	122.31	125.82	152.28	119.11	136.91
Germany (65)	105.17	−0.5	90.84	86.00	92.92	92.92	−0.1	2.43	105.71	91.15	86.71	93.01	93.01	125.35	94.15	115.22
Hong Kong (55)	166.51	+0.2	143.82	136.14	147.13	165.54	+0.2	4.41	166.14	143.25	136.26	146.20	165.14	169.98	119.62	118.43
Ireland (18)	155.45	−0.7	134.26	127.10	137.35	139.11	−0.4	3.60	156.48	134.92	128.34	137.69	139.73	182.46	132.88	153.56
Italy (77)	69.11	−0.2	59.69	56.51	61.06	65.49	+0.0	3.54	69.25	59.71	56.79	60.93	65.49	88.23	64.76	83.31
Japan (474)	140.28	−0.7	121.17	114.70	123.98	114.70	−1.0	0.74	141.24	121.78	115.84	124.30	115.84	146.97	118.23	128.15
Malaysia (68)	197.22	+2.0	170.35	161.25	174.25	208.35	+1.9	2.90	193.27	166.64	158.51	170.06	204.40	247.78	169.18	189.64
Mexico (16)	1282.74	+2.2	1107.94	1048.82	1133.39	4294.40	+2.2	1.23	1254.68	1081.81	1029.05	1104.02	4200.45	1282.74	534.45	491.18
Netherland (31)	138.26	+0.5	119.42	113.05	122.17	120.84	+0.9	4.46	137.53	118.58	112.80	121.02	119.80	145.73	125.70	133.05
New Zealand (14)	45.48	−1.8	39.28	37.19	40.18	42.56	−2.0	6.84	46.33	39.95	38.00	40.77	43.45	54.64	41.18	50.73
Norway (31)	185.80	−2.8	160.48	151.92	164.17	167.39	−2.6	1.68	191.18	164.84	156.80	168.23	171.85	223.24	178.58	236.17
Singapore (38)	191.42	+2.0	165.33	156.51	169.13	149.21	+1.9	2.38	187.59	161.74	153.86	165.06	146.35	208.25	151.63	150.93
South Africa (61)	247.86	+0.3	214.09	202.66	219.00	169.04	+0.3	2.87	247.04	213.00	202.61	217.37	168.48	258.85	173.00	160.19
Spain (53)	149.76	−0.6	129.35	122.45	132.32	121.39	−0.5	4.48	150.64	129.89	123.55	132.55	122.00	171.12	131.51	137.50
Sweden (25)	180.13	−0.8	155.58	147.28	159.16	165.13	−0.4	2.70	181.67	156.64	149.00	159.86	165.87	204.12	146.60	179.49
Switzerland (59)	92.27	−0.3	79.70	75.45	81.54	84.98	−0.1	2.27	92.50	79.78	75.87	81.40	85.05	100.67	82.17	91.82
United Kingdom (240)	177.00	+0.5	152.88	144.71	156.38	152.88	+0.7	4.85	176.17	151.90	144.47	155.00	151.90	187.44	156.27	164.07
USA (526)	156.98	+1.3	135.58	128.36	138.70	156.98	+1.3	3.09	154.97	133.62	127.11	136.37	154.97	161.02	125.95	122.15
Europe (827)	137.90	+0.0	119.11	112.76	121.85	121.01	+0.2	3.97	137.98	118.93	113.13	121.38	120.75	151.52	125.50	136.39
Nordic (108)	178.60	−0.8	154.26	146.03	157.80	154.96	−0.5	2.10	179.96	155.16	147.59	158.35	155.75	200.81	155.55	184.85
Pacific Basin (718)	140.65	−0.5	121.49	115.01	124.28	116.00	−0.8	1.08	141.42	121.93	115.99	124.44	116.86	145.92	117.86	127.34
Euro−Pacific (1545)	139.90	−0.3	120.84	114.38	123.61	118.79	−0.4	2.21	140.38	121.04	115.12	123.51	119.30	147.66	121.29	131.37
North America (640)	155.58	+1.2	134.38	127.23	137.49	153.85	+1.2	3.11	153.70	132.52	126.07	135.27	151.98	159.66	125.91	122.10
Europe Ex. UK (587)	114.86	−0.4	99.21	93.93	101.51	102.80	−0.1	3.28	115.33	99.44	94.61	101.50	102.91	129.80	108.58	119.18
Pacific Ex. Japan (244)	144.21	+0.8	124.56	117.93	127.43	126.74	+0.6	4.36	143.01	123.31	117.31	125.85	125.93	147.60	111.40	117.08
World Ex. US (1736)	141.59	−0.3	122.30	115.78	125.11	120.04	−0.4	2.25	142.01	122.45	116.48	124.97	120.50	148.16	122.32	131.57
World Ex. UK (2022)	142.74	+0.3	123.28	116.71	126.13	129.48	+0.2	2.30	142.38	122.76	116.78	125.29	129.25	145.77	120.06	123.70
World Ex. So. Af. (2201)	145.06	+0.3	125.29	118.61	128.18	131.37	+0.2	2.55	144.66	124.73	118.66	127.30	131.08	148.66	122.92	127.09
World Ex. Japan (1788)	150.01	+0.8	129.57	122.66	132.56	140.92	+0.8	3.46	148.89	128.37	122.12	131.03	139.76	152.85	126.69	128.10
The World Index (2262)	145.73	+0.3	125.87	119.16	128.77	131.69	+0.2	2.56	145.32	125.30	119.20	127.88	131.40	149.01	123.28	127.29

Copyright, The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities Limited. 1987
Italian prices were unavailable October 14 owing to industrial action at the Milan Bourse. Canadian market closed October 14.